

CITY OF DETROIT, MICHIGAN
BASIC FINANCIAL STATEMENTS



FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Kwame M. Kilpatrick
Mayor

Sean K. Werdlow
Chief Financial Officer/Finance Director

A view of Jefferson Avenue from the GM World Headquarters Building.

Photo courtesy of City of Detroit - Communications and Creative Services Department.

**City of Detroit, Michigan
Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

**Kwame M. Kilpatrick
*Mayor***



**Prepared by the Finance Department
Sean K. Werdlow
*Chief Financial Officer/Finance Director***



*“We
hope for
better things”*

*“It shall
rise again
from the ashes”*

**FOUNDED 1701
INCORPORATED 1806
AREA (Square Miles) 137.9
POPULATION 911,402**

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INDEPENDENT
AUDITORS’
REPORT

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KPMG LLP
Suite 1200
150 West Jefferson
Detroit, MI 48226-4429

Independent Auditors' Report

To the Honorable Mayor Kwame Kilpatrick
and Members of the City Council
City of Detroit:

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Detroit, Michigan (the City) as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the School District of the City of Detroit, the Downtown Development Authority, the Economic Development Corporation, the Museum of African American History, the Detroit Transportation Corporation, the Detroit Housing Commission, and the Greater Detroit Resource Recovery Authority, which represent 97.9% and 96.5%, respectively, of the assets and revenues of the discretely presented component units. We also did not audit the financial statements of the Retirement Systems, which represent 93.1% and 36.8%, respectively, of the assets and expenses/expenditures/deductions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the aggregate discretely presented component units and the aggregate remaining fund information, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

As described in note 3(B)1(c), the financial statements of the Detroit Housing Commission Component Unit did not include a liability to the Department of Housing and Urban Development in the amount of \$14,236,946 related to unallowable costs claimed for federal reimbursement. Accounting principles generally accepted in the United States of America require that all liabilities that are probable and can be estimated should be recorded as liabilities, which would increase expenses and decrease net assets.



In our opinion, based on our audit and the reports of other auditors, except for the effects of not recording the liability of the Detroit Housing Commission Component Unit as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units for the City of Detroit, Michigan as of June 30, 2004, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Detroit, Michigan as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 1(C), the City changed the reporting of the Detroit Housing Commission from a proprietary fund to a discretely presented component unit as of July 1, 2003.

The City has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

The schedules of employer contributions and the schedules of funding progress on page 82 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG LLP

Detroit, Michigan
March 21, 2005

**BASIC
FINANCIAL
STATEMENTS
(BFS)**

City of Detroit, Michigan
STATEMENT OF NET ASSETS
June 30, 2004

	Primary Government				
	Governmental	Business-type			
	Activities	Activities	Total		Component Units
ASSETS					
Current Assets:					
Cash and Cash Equivalents.....	\$ 49,366,275	\$ 8,042,755	\$ 57,409,030	\$	20,226,370
Investments.....	278,478,406	55,398,148	333,876,554		228,646,426
Escrow Deposits.....	-	-	-		52,444,684
Accounts and Contracts Receivable:					
Internal Balances.....	(986,712)	986,712	-		-
Due from Primary Government.....	-	-	-		18,272,467
Due from Component Units.....	19,847,369	-	19,847,369		-
Due from Other Governmental Agencies.....	186,403,316	20,494,877	206,898,193		292,559,450
Other Receivables - Net.....	61,678,985	214,775,510	276,454,495		94,617,846
Total Accounts and Contracts Receivable - Net.....	266,942,958	236,257,099	503,200,057		405,449,763
Inventories.....	37,557,354	27,620,127	65,177,481		11,355,046
Prepaid Expenses.....	127,636	320,687	448,323		4,561,167
Short-Term Loans and Advances to Component Units.....	358,205	-	358,205		-
Total Current Assets.....	632,830,834	327,638,816	960,469,650		722,683,456
Non-Current Assets:					
Restricted Assets:					
Cash and Cash Equivalents.....	69,361,602	53,622,374	122,983,976		8,357,104
Investments.....	64,620,924	943,746,429	1,008,367,353		732,870,459
Restricted Loans and Notes Receivable.....	-	-	-		68,642,830
Total Non-Current Restricted Assets.....	133,982,526	997,368,803	1,131,351,329		809,870,393
Deferred Charges.....	-	-	-		1,719,417
Capital Assets:					
Non-Depreciable.....	538,406,664	1,930,743,648	2,469,150,312		558,683,239
Depreciable, Net.....	655,643,141	2,662,710,878	3,318,354,019		1,402,955,477
Total Capital Assets, Net.....	1,194,049,805	4,593,454,526	5,787,504,331		1,961,638,716
Other Assets.....	14,238,261	59,878,846	74,117,107		15,881,346
Total Non-Current Assets	1,342,270,592	5,650,702,175	6,992,972,767		2,789,109,872
Total Assets	1,975,101,426	5,978,340,991	7,953,442,417		3,511,793,328

The accompanying notes are an integral part of the financial statements.

	Primary Government			
	Governmental	Business-type		
	Activities	Activities	Total	Component Units
LIABILITIES				
Current Liabilities:				
Accounts and Contracts Payable.....	172,892,718	58,855,488	231,748,206	167,492,022
Due to Other Governmental Agencies.....	49,076,833	-	49,076,833	-
Due to Primary Government.....	-	-	-	21,607,800
Due to Component Units.....	11,957,828	5,526,824	17,484,652	-
Deposits and Refunds.....	29,774,963	93,067	29,868,030	-
Accrued Interest Payable.....	13,300,998	60,160,084	73,461,082	23,770,338
Loans and Advances from Primary Government.....	-	-	-	358,205
Accrued Salaries and Wages.....	48,008,494	6,078,401	54,086,895	93,017,407
Deferred Revenue.....	2,711,367	122,331	2,833,698	9,810,804
Other Current Liabilities.....	50,252,146	13,021,194	63,273,340	281,149,623
Restricted Liabilities:				
Accounts Payable.....	3,503,843	110,945,867	114,449,710	-
Accrued Public Liability and Worker's Compensation.....	22,704,836	-	22,704,836	-
Other Liabilities.....	690,683	-	690,683	-
Total Restricted Liabilities.....	26,899,362	110,945,867	137,845,229	-
Bonds, Notes and Other Debt Payable - Current.....	72,033,883	73,520,000	145,553,883	2,195,542,696
Unamortized Premium and Defeasances.....	-	-	-	33,919,892
Bonds, Notes and Other				
Debt Payable - Current-Net.....	72,033,883	73,520,000	145,553,883	112,460,920
Accrued Compensated Absences.....	4,236,630	19,391,069	23,627,699	2,803,205
Accrued Public Liability and Workers' Compensation.....	-	6,658,418	6,658,418	324,506
Total Current Liabilities.....	481,145,222	354,372,743	835,517,965	712,794,830
Long-Term Liabilities:				
Bonds, Notes and Other Debt Payable.....	977,371,156	4,082,167,599	5,059,538,755	2,195,542,696
Deferred Swap Termination Fees.....	-	31,000,000	31,000,000	-
Unamortized Premium/(Discount) and				
Loss (Gain) on Defeasances.....	22,615,806	(66,239,165)	(43,623,359)	33,919,892
Bonds, Notes and Other Debt Payable -Net.....	999,986,962	4,046,928,434	5,046,915,396	2,229,462,588
Accrued Compensated Absences.....	136,234,385	13,001,247	149,235,632	150,074,583
Accrued Public Liability and Workers' Compensation.....	164,585,116	17,997,269	182,582,385	56,665,005
Total Long-Term Liabilities.....	1,300,806,463	4,077,926,950	5,378,733,413	2,436,202,176
Total Liabilities.....	1,781,951,685	4,432,299,693	6,214,251,378	3,148,997,006
NET ASSETS				
Invested in Capital Assets, Net of Related Debt.....	423,118,665	1,063,418,365	1,486,537,030	541,600,728
Restricted for:				
Endowments and Trust (Non-Expendable).....	1,237,820	-	1,237,820	-
Capital Projects.....	31,229,238	-	31,229,238	31,082,216
Debt Service.....	52,782,890	199,037,340	251,820,230	24,241,754
Unrestricted (Deficit).....	(315,218,872)	283,585,593	(31,633,279)	(248,370,403)
Total Net Assets.....	\$ 193,149,741	\$ 1,546,041,298	\$ 1,739,191,039	\$ 362,796,322

City of Detroit, Michigan
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
Public Protection.....	\$ 755,816,119	\$ 88,817,490	\$ -
Health.....	172,601,779	11,875,150	128,616,159
Recreation and Culture.....	82,148,669	10,363,646	-
Economic Development.....	102,680,484	20,512,694	60,709,539
Educational Development.....	95,655,097	-	95,579,152
Housing Supply and Conditions.....	21,190,178	16,617,400	7,105,957
Physical Environment.....	267,232,775	85,667,448	-
Transportation	49,857,971	-	8,364,954
Development and Management.....	350,969,773	84,682,688	14,946,203
Interest on Long-Term Debt.....	58,080,402	-	-
Total Governmental Activities.....	1,956,233,247	318,536,516	315,321,964
Business-type Activities:			
Sewage Disposal.....	186,979,859	195,947,900	-
Transportation.....	206,319,905	24,712,839	89,345,418
Water.....	198,120,130	223,092,260	-
Automobile Parking.....	21,990,714	19,618,019	-
Airport.....	4,030,607	972,659	-
Total Business-type Activities.....	617,441,215	464,343,677	89,345,418
Total Primary Government.....	\$ 2,573,674,462	\$ 782,880,193	\$ 404,667,382
Component Units:			
Brownfield Redevelopment Authority.....	\$ 200,328	\$ 139,463	\$ 104,070
Detroit Public Library.....	37,989,764	304,294	5,712,417
Downtown Development Authority.....	62,463,896	11,095,995	-
Economic Development Authority.....	12,227,756	17,123,677	-
Detroit Housing Commission.....	66,240,398	69,036,445	-
Local Development Finance Authority.....	14,513,509	-	6,950,000
Museum of African American History.....	6,834,923	1,583,936	5,075,412
Detroit Public Schools.....	1,777,402,877	7,580,249	525,155,465
Tax Increment Finance Authority.....	11,636,682	-	-
Detroit Transportation Corporation.....	18,881,512	367,012	9,621,165
Greater Detroit Resource Recovery Authority.....	116,723,107	43,792,111	71,146,881
Total Component Units.....	\$ 2,125,114,752	\$ 151,023,182	\$ 623,765,410
General Revenues:			
Property Taxes, levied for General Purposes.....			
Property Taxes, levied for Debt Service Purposes.....			
Municipal Income Tax.....			
Utility Users Tax.....			
Wagering Tax.....			
Hotel and Liquor Tax.....			
Other Taxes.....			
Shared Taxes.....			
Interest and Penalties on Taxes.....			
Investment Earnings.....			
Miscellaneous.....			
Gain (Loss) on Disposal of Capital Assets.....			
Transfers.....			
Total General Revenues and Special Item.....			
Change in Net Assets.....			
Net Assets-Beginning of the Year, as Restated.....			
Net Assets-End of Year.....			

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets				
Capital Grants and Contributions	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
\$ -	\$ (666,998,629)	\$ -	\$ (666,998,629)	\$ -
3,970,591	(28,139,879)	-	(28,139,879)	-
-	(71,785,023)	-	(71,785,023)	-
43,401,679	21,943,428	-	21,943,428	-
-	(75,945)	-	(75,945)	-
-	2,533,179	-	2,533,179	-
-	(181,565,327)	-	(181,565,327)	-
68,156,341	26,663,324	-	26,663,324	-
-	(251,340,882)	-	(251,340,882)	-
-	(58,080,402)	-	(58,080,402)	-
115,528,611	(1,206,846,156)	-	(1,206,846,156)	-
-	-	8,968,041	8,968,041	-
29,420,774	-	(62,840,874)	(62,840,874)	-
4,038,816	-	29,010,946	29,010,946	-
-	-	(2,372,695)	(2,372,695)	-
299,161	-	(2,758,787)	(2,758,787)	-
33,758,751	-	(29,993,369)	(29,993,369)	-
\$ 149,287,362	(1,206,846,156)	(29,993,369)	(1,236,839,525)	-
\$ -	-	-	-	43,205
-	-	-	-	(31,973,053)
-	-	-	-	(51,367,901)
-	-	-	-	4,895,921
-	-	-	-	2,796,047
-	-	-	-	(7,563,509)
-	-	-	-	(175,575)
-	-	-	-	(1,244,667,163)
-	-	-	-	(11,636,682)
-	-	-	-	(8,893,335)
-	-	-	-	(1,784,115)
\$ -	-	-	-	(1,350,326,160)
.....	189,273,351	-	189,273,351	156,517,515
.....	64,607,621	-	64,607,621	104,758,050
.....	290,614,837	-	290,614,837	-
.....	47,422,918	-	47,422,918	-
.....	116,145,598	-	116,145,598	-
.....	16,217,263	-	16,217,263	-
.....	4,337,425	-	4,337,425	12,324,026
.....	286,479,535	-	286,479,535	935,142,434
.....	13,780,520	-	13,780,520	1,108,699
.....	4,500,270	12,516,207	17,016,477	9,830,412
.....	13,624,695	3,812,743	17,437,438	25,976,014
.....	(451,750)	-	(451,750)	-
.....	(77,108,036)	77,108,036	-	-
.....	969,444,247	93,436,986	1,062,881,233	1,245,657,150
.....	(237,401,909)	63,443,617	(173,958,292)	(104,669,010)
.....	430,551,650	1,482,597,681	1,913,149,331	467,465,332
.....	\$ 193,149,741	\$ 1,546,041,298	\$ 1,739,191,039	\$ 362,796,322

City of Detroit, Michigan
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	Primary Government		
	General Fund	Other Governmental Funds	Total
ASSETS			
Cash and Cash Equivalents.....	\$ 15,264,299	\$ 34,101,976	\$ 49,366,275
Investments.....	19,894,600	258,583,806	278,478,406
Accounts and Contracts Receivable:			
Due from Other Funds.....	21,530,355	9,099,438	30,629,793
Due from Fiduciary Funds.....	4,495,129	-	4,495,129
Due from Component Units.....	19,818,618	28,751	19,847,369
Due from Other Governmental Agencies.....	147,674,929	38,728,387	186,403,316
Estimated Withheld Income Taxes Receivable.....	26,684,072	-	26,684,072
Utility Users' Taxes Receivable.....	1,267,347	-	1,267,347
Other Receivables.....	27,026,133	860,766	27,886,899
Total Accounts and Contracts Receivable.....	248,496,583	48,717,342	297,213,925
Allowance for Uncollectible Accounts.....	(13,614,758)	(452,744)	(14,067,502)
Total Accounts and Contracts Receivable - Net.....	234,881,825	48,264,598	283,146,423
Advances to Component Units.....	-	358,205	358,205
Land Contracts Receivable.....	6,224,469	-	6,224,469
Inventory-Forfeited Property.....	-	572,568	572,568
Inventories.....	36,543,693	441,093	36,984,786
Prepaid Expenditures.....	-	127,636	127,636
Property Tax Receivable, Net.....	15,803,134	5,730,160	21,533,294
Income Tax Assessments, Net.....	40,250,167	-	40,250,167
Special Assessments, Net.....	1,370,579	335,844	1,706,423
Interest and Penalties.....	5,530,000	2,000,000	7,530,000
Working Capital Advances to Other Funds.....	3,557,000	-	3,557,000
Restricted Assets:			
Cash and Cash Equivalents.....	1,251,069	68,110,533	69,361,602
Investments.....	64,620,924	-	64,620,924
Due from Other Funds.....	22,418,119	-	22,418,119
Total Restricted Assets.....	88,290,112	68,110,533	156,400,645
Other Advances.....	5,000	-	5,000
Other Assets.....	9,014	-	9,014
Total Assets	<u>\$ 467,623,892</u>	<u>\$ 418,626,419</u>	<u>\$ 886,250,311</u>

The accompanying notes are an integral part of the financial statements.

City of Detroit, Michigan
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	Primary Government		
	General	Other	
	Fund	Governmental	
		Funds	Total
LIABILITIES			
Accounts and Contracts Payable.....	\$ 17,460,868	\$ 35,176,838	\$ 52,637,706
Due to Other Funds.....	37,752,259	18,772,806	56,525,065
Due to Fiduciary Funds.....	76,510,398	-	76,510,398
Loans and Other Advances from Other Funds.....	-	997,000	997,000
Due to Other Governmental Agencies.....	17,914,031	16,925,856	34,839,887
Due to Component Units.....	11,957,828	-	11,957,828
Accrued Salaries and Wages.....	23,137,821	2,138,438	25,276,259
Fringes Benefits Payable.....	4,196,493	10,263	4,206,756
Payroll Deductions Payable.....	18,525,479	-	18,525,479
Accrued Compensated Absences.....	706,105	-	706,105
Income Tax Refunds Payable.....	11,087,702	-	11,087,702
Deposits from Vendors and Customers.....	15,761,654	2,925,607	18,687,261
Accrued Liabilities.....	34,254,603	9,490,011	43,744,614
Other Liabilities.....	48,824,932	1,427,214	50,252,146
Liabilities Payable from Restricted Assets:			
Accounts and Contracts Payable.....	3,503,843	-	3,503,843
Accrued Public Liability.....	6,148,836	-	6,148,836
Accrued Worker's Compensation Payable.....	2,656,180	-	2,656,180
Due to Other Funds.....	69,559	-	69,559
Other Liabilities.....	690,683	-	690,683
Total Liabilities Payable from Restricted Assets.....	13,069,101	-	13,069,101
Deferred Revenue.....	67,248,349	12,113,460	79,361,809
Total Liabilities.....	398,407,623	99,977,493	498,385,116
FUND BALANCES			
Reserved Fund Balance:			
Reserved for Inventory.....	36,543,693	1,013,661	37,557,354
Reserved for Encumbrances.....	48,922,088	12,404,738	61,326,826
Reserved for Short-Term Loans and Advances to Other Funds.....	3,557,000	-	3,557,000
Reserved for Risk Management Operations.....	35,917,561	-	35,917,561
Reserved for Motor Vehicle Operations.....	39,303,450	-	39,303,450
Reserved for Endowments and Trusts.....	5,000	1,232,820	1,237,820
Reserved for Debt Service.....	-	70,466,781	70,466,781
Reserved for Capital Projects	-	159,136,549	159,136,549
Total Reserved Fund Balance.....	164,248,792	244,254,549	408,503,341
Unreserved Fund Balance (Deficit):			
Undesignated, Reported In:			
General Fund Operations (Deficit).....	(95,032,523)	-	(95,032,523)
Special Revenue Funds.....	-	74,394,377	74,394,377
Total Unreserved Fund Balance (Deficit).....	(95,032,523)	74,394,377	(20,638,146)
Total Fund Balances.....	69,216,269	318,648,926	387,865,195
Total Liabilities, and Fund Balances.....	\$ 467,623,892	\$ 418,626,419	\$ 886,250,311

City of Detroit, Michigan
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2004

Fund balances - total governmental funds	\$	387,865,195
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Amounts reported for governmental activities in the statement
of net assets are different because

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the governmental fund

Governmental capital asset	\$	2,381,753,466	
Less accumulated depreciation		<u>(1,187,703,661)</u>	1,194,049,805

Other assets used in governmental activities are not financial resources
and therefore are not reported in the governmental fund

Bond Costs		27,798,281	
Less accumulated amortization		<u>(13,574,034)</u>	14,224,247

Receivables applicable to governmental activities are not due
and collectible in the current period and therefore are deferred
in governmental funds

14,819,129

Long term liabilities, including bonds payable are not due and payable
in the current period and therefore are not reported in the governmental fund

Governmental long term debt payable		(1,049,405,039)	
Premium		(24,246,370)	
Loss on Advance Refunding		1,630,564	
Grant Audit Amount Due to Other Governments		(14,236,946)	
Accrued interest payable		(13,300,998)	
Compensated Absences		(139,764,910)	
Public Liability and Workers Compensation		<u>(178,484,936)</u>	<u>(1,417,808,635)</u>

Net assets of governmental activities	\$	<u><u>193,149,741</u></u>
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The accompanying notes are an integral part of the financial statements.

City of Detroit, Michigan
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2004

	Primary Government		
	General	Other	
	Fund	Governmental	Total
		Funds	
REVENUES:			
Taxes:			
Property Taxes.....	\$ 184,765,334	\$ 64,607,621	\$ 249,372,955
Municipal Income Tax.....	290,614,837	-	290,614,837
Utility Users' tax.....	50,473,815	-	50,473,815
Wagering Taxes.....	116,145,598	-	116,145,598
Gas and Weight Tax.....	-	65,806,351	65,806,351
Other Taxes and Assessments.....	12,004,503	2,906,653	14,911,156
State Hotel and Liquor Tax.....	-	16,217,263	16,217,263
State Shared Taxes.....	286,479,535	-	286,479,535
Shared Taxes-Liquor and Beer Licenses.....	528,355	-	528,355
Interest and Penalties on Taxes.....	13,969,136	-	13,969,136
Licenses, Permits and Inspection Charges.....	9,390,863	20,073,051	29,463,914
Intergovernmental:			
Federal.....	3,066,675	250,554,178	253,620,853
State.....	51,477,038	13,230,137	64,707,175
State Equity Grant.....	982,701	-	982,701
Other.....	24,026,485	12,189,505	36,215,990
Sales and Charges for Services.....	176,033,663	14,894,475	190,928,138
Ordinance Fines.....	23,433,745	4,804,153	28,237,898
Revenue from Use of Assets.....	26,136,815	2,559,616	28,696,431
Earnings on Investments.....	1,467,561	3,032,709	4,500,270
Other Revenue.....	104,070,617	20,716,987	124,787,604
Total Revenues.....	1,375,067,276	491,592,699	1,866,659,975
EXPENDITURES:			
Current:			
Public Protection.....	704,456,041	33,874,791	738,330,832
Health.....	88,874,154	83,427,373	172,301,527
Recreation and Culture.....	73,769,563	-	73,769,563
Economic Development.....	24,138,733	72,133,726	96,272,459
Educational Development.....	-	95,579,152	95,579,152
Housing Supply and Conditions.....	14,044,090	7,105,957	21,150,047
Physical Environment.....	232,268,536	-	232,268,536
Transportation Facilitation.....	-	49,857,971	49,857,971
Development and Management.....	387,713,093	-	387,713,093
Debt Service:			
Principal.....	-	81,450,470	81,450,470
Interest.....	-	53,075,658	53,075,658
Bond Issuance Costs.....	3,367,420	2,224,008	5,591,428
Capital Outlay.....	48,930,333	113,663,461	162,593,794
Total Expenditures.....	1,577,561,963	592,392,567	2,169,954,530
Excess (Deficiency) of Revenues Over Expenditures.....	(202,494,687)	(100,799,868)	(303,294,555)
OTHER FINANCING SOURCES (USES):			
Sources:			
Transfers In.....	31,638,974	131,044,568	162,683,542
Proceeds of Capital Leases.....	24,541,150	-	24,541,150
Proceeds from Debt Issuance.....	201,725,000	145,673,138	347,398,138
Premium from Debt Issuance.....	8,160,573	10,410,102	18,570,675
Uses:			
Transfers Out.....	138,383,434	101,408,144	239,791,578
Principal Paid to Bond Agent for Refunded Bonds.....	40,880,000	79,845,000	120,725,000
Interest Paid to Bond Agent for Refunded Bonds.....	523,744	2,323,938	2,847,682
Total Other Financing Sources (Uses).....	86,278,519	103,550,726	189,829,245
SPECIAL ITEM - Casino Development Revenue.....	38,250,000	-	38,250,000
Net Change in Fund Balances.....	(77,966,168)	2,750,858	(75,215,310)
Fund Balance at Beginning of Year.....	140,304,407	316,090,868	456,395,275
Increase (Decrease) in Inventories.....	6,878,030	(192,800)	6,685,230
Fund Balance at End of Year.....	\$ 69,216,269	\$ 318,648,926	\$ 387,865,195

City of Detroit, Michigan
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
June 30, 2004

Change in fund balances - total governmental funds	\$	(75,215,310)
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Amounts reported for governmental activities in the statement
of net assets are different because

Governmental funds report capital outlays as expenditure.

However, in the statement of activities, the cost of those assets
is depreciated over their estimated useful lives

Expenditures for capital assets	\$	153,535,315	
Less current year depreciation		<u>(75,549,376)</u>	77,985,939

Gain on sale of capital assets is reported in the statement of activities, whereas in the governmental funds, the gain from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of assets sold	(451,750)
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Some revenues reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenues in governmental funds	(36,981,496)
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Some expenditures reported in governmental funds are to be collected on a long-term basis and therefore are not reported as expenses in the statement of activities	
Inventory	6,685,230

Repayment of bond principal and other debt is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net assets.	202,175,469
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Bond and note proceeds and provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The amount represents the proceeds received net of bond issuance cost and premiums that must be amortized over the life of the bond	(384,918,535)
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Some expenses recorded in the statement of activities do not require the use of current
financial resources and therefore are not reported as expenditures in the governmental
funds:

Increase in Due to Other Governments - Grant Audits	(14,236,946)	
Increase in accrued interest expense	(2,157,061)	
Increase in accrued compensated absences	(4,825,206)	
Increase in accrued public liability and workers compensation	(7,451,909)	
Amortization of current year bond premium and defeasances	4,261,094	
Amortization of current year bond cost	<u>(2,271,428)</u>	<u>(26,681,456)</u>

Change in net assets of governmental activities	\$	<u><u>(237,401,909)</u></u>
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The accompanying notes are an integral part of the financial statements.

City of Detroit
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE — BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
REVENUES:				
Taxes:				
Property Taxes.....	\$ 188,159,810	\$ 188,159,810	\$ 184,765,334	\$ (3,394,476)
Municipal Income Tax.....	311,080,000	311,080,000	290,614,837	(20,465,163)
Utility Users' Tax.....	55,200,000	55,200,000	50,473,815	(4,726,185)
Wagering Taxes.....	110,000,000	110,000,000	116,145,598	6,145,598
Other Taxes and Assessments.....	11,909,513	11,909,513	12,004,503	94,990
Interest and Penalties on Taxes.....	11,000,000	11,000,000	13,969,136	2,969,136
Total Taxes, Assessments, Interest and Penalties.....	687,349,323	687,349,323	667,973,223	(19,376,100)
Licenses, Permits and Inspection Charges:				
Business Licenses.....	1,330,000	1,330,000	1,913,369	583,369
Permits.....	1,535,000	1,535,000	1,331,395	(203,605)
Inspection Charges.....	8,588,313	8,588,313	6,066,829	(2,521,484)
Other Licenses.....	95,364	95,364	79,270	(16,094)
Total Licenses, Permits and Inspection Charges.....	11,548,677	11,548,677	9,390,863	(2,157,814)
Shared Taxes:				
Liquor and Beer License.....	545,000	545,000	528,355	(16,645)
State Shared Tax.....	311,494,672	311,494,672	286,479,535	(25,015,137)
Total Shared Taxes.....	312,039,672	312,039,672	287,007,890	(25,031,782)
Intergovernmental:				
Federal.....	8,023,229	31,598,379	3,066,675	(28,531,704)
State.....	57,164,548	112,033,054	51,477,038	(60,556,016)
State Equity Grant.....	2,339,600	2,339,600	982,701	(1,356,899)
Other Grants.....	3,340,190	42,601,598	24,026,485	(18,575,113)
Total Grants.....	70,867,567	188,572,631	79,552,899	(109,019,732)
Sales and Charges for Services:				
Maintenance and Construction.....	1,414,540	1,414,540	216,634	(1,197,906)
Other Labor and Materials.....	215,000	215,000	5,081	(209,919)
Electrical.....	47,190,000	47,190,000	44,471,502	(2,718,498)
Steam.....	630,900	630,900	772,045	141,145
Sanitation Charges.....	778,600	778,600	573,071	(205,529)
Recreation Fees.....	6,686,980	6,457,814	4,982,591	(1,475,223)
Collection Fees.....	5,607,000	5,637,000	3,452,267	(2,184,733)
Other Fees.....	35,087,402	35,201,289	37,901,639	2,700,350
Personal Services.....	64,046,761	63,725,305	58,519,619	(5,205,686)
Other Departmental Sales.....	36,674,387	39,846,823	25,139,214	(14,707,609)
Total Sales and Charges for Services.....	198,331,570	201,097,271	176,033,663	(25,063,608)
Ordinance Fines.....	25,975,517	25,975,517	23,433,745	(2,541,772)
Revenue from Use of Assets:				
Earnings on Investments.....	2,643,000	2,608,685	1,467,561	(1,141,124)
Real Estate Rentals.....	7,859,939	7,859,939	6,693,751	(1,166,188)
Concessions.....	4,784,804	4,784,804	3,282,317	(1,502,487)
Sale of Real Property.....	13,534,041	13,534,041	16,160,747	2,626,706
Total Revenue from Use of Assets.....	28,821,784	28,787,469	27,604,376	(1,183,093)
Other Revenue.....	156,390,554	102,240,592	104,070,617	1,830,025
Total Revenues.....	1,491,324,664	1,557,611,152	1,375,067,276	(182,543,876)

(Continued)

City of Detroit
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE — BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
EXPENDITURES:				
Public Protection:				
Consumer Affairs.....	1,661,811	1,661,811	1,331,712	330,099
Fire.....	182,245,549	184,545,119	182,240,815	2,304,304
Human Rights.....	2,474,211	2,518,211	2,248,191	270,020
Ombudsman.....	1,566,079	1,566,079	1,498,440	67,639
Parking Enforcement.....	9,720,356	9,720,356	9,086,959	633,397
Police.....	434,999,479	485,977,121	462,645,107	23,332,014
36th District Court.....	47,044,713	47,086,545	45,404,817	1,681,728
Total Public Protection.....	679,712,198	733,075,242	704,456,041	28,619,201
Health.....	99,789,054	144,200,497	88,874,154	55,326,343
Recreation and Culture:				
Arts.....	642,975	642,975	643,544	(569)
Cultural Affairs.....	1,884,807	2,423,026	1,649,883	773,143
Historical.....	3,449,789	3,451,213	3,525,076	(73,863)
Recreation.....	54,779,568	66,265,568	53,550,033	12,715,535
Senior Citizens.....	1,190,399	2,026,146	1,012,608	1,013,538
Zoological Park.....	14,855,382	15,361,382	13,388,419	1,972,963
Total Recreation and Culture.....	76,802,920	90,170,310	73,769,563	16,400,747
Economic Development — Civic Center.....	26,845,141	26,830,829	24,138,733	2,692,096
Housing Supply and Conditions:				
Planning and Development.....	11,569,597	23,510,673	14,044,090	9,466,583
Total Housing Supply and Conditions.....	11,569,597	23,510,673	14,044,090	9,466,583
Physical Environment:				
Environmental Affairs.....	3,196,285	3,821,251	2,722,564	1,098,687
Public Lighting.....	68,222,263	68,194,879	61,493,752	6,701,127
Public Works.....	178,109,675	178,014,280	168,052,220	9,962,060
Total Physical Environment.....	249,528,223	250,030,410	232,268,536	17,761,874
Development and Management:				
Auditor General.....	3,462,645	3,377,646	2,648,510	729,136
Budget.....	3,403,140	3,418,432	3,138,420	280,012
City Clerk.....	4,630,024	4,619,024	4,155,691	463,333
City Council.....	20,853,258	20,848,683	13,969,551	6,879,132
Communications & Creative Services.....	2,285,760	2,198,030	2,031,734	166,296
Election	8,691,046	8,726,046	6,088,909	2,637,137
Finance.....	50,381,667	50,168,111	41,674,999	8,493,112
Law.....	32,582,259	32,844,657	28,497,965	4,346,692
Mayor's Office.....	11,456,278	11,716,401	9,979,579	1,736,822
Human Resources.....	30,540,945	30,540,945	26,258,463	4,282,482
Information Technology Services.....	35,938,416	38,499,538	26,798,893	11,700,645
Zoning Appeals Board.....	1,057,476	1,057,476	892,449	165,027
Employment & Training.....	2,944	606,339	5,951	600,388
Human Services.....	6,482,136	9,419,930	5,640,332	3,779,598
Non Departmental.....	214,103,228	275,785,407	215,931,647	59,853,760
Total Development and Management.....	425,871,222	493,826,665	387,713,093	106,113,572
Capital Outlay.....	75,185,951	87,117,421	48,930,333	38,187,088

(Continued)

City of Detroit
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE — BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Debt Service:				
Bond Issuance Costs.....	24,000	721,336	3,367,420	(2,646,084)
Total Debt Service.....	24,000	721,336	3,367,420	(2,646,084)
Total Expenditures.....	1,645,328,307	1,849,483,383	1,577,561,963	271,921,420
Excess (Deficiency) of Revenues Over Expenditures.....	(154,003,643)	(291,872,231)	(202,494,687)	89,377,544
OTHER FINANCING SOURCES (USES):				
Sources:				
Transfers In.....	35,454,845	114,689,313	31,638,974	(83,050,339)
Proceeds of Capital Leases.....	24,541,150	24,541,150	24,541,150	-
Premium from Debt Issuance.....	8,160,573	8,160,573	8,160,573	-
Proceeds from Debt Issuance.....	90,698,995	167,265,006	201,725,000	34,459,994
Total Other Financing Sources.....	158,855,563	314,656,042	266,065,697	(48,590,345)
Uses:				
Transfers Out.....	108,522,123	126,454,014	138,383,434	(11,929,420)
Principal Paid to Bond Agent for Refunded Bonds.....	12,280,225	12,280,225	40,880,000	(28,599,775)
Interest Paid to Bond Agent for Refunded Bonds.....	523,744	523,744	523,744	-
Total Other Financing Uses.....	121,326,092	139,257,983	179,787,178	(40,529,195)
Total Other Financing Sources and Uses.....	37,529,471	175,398,059	86,278,519	(89,119,540)
SPECIAL ITEM - Casino Development Revenue.....	38,250,000	38,250,000	38,250,000	-
Net Change in Fund Balance.....	(78,224,172)	(78,224,172)	(77,966,168)	258,004
Fund Balance at Beginning of Year.....	78,224,172	78,224,172	140,304,407	62,080,235
Increase (Decrease) in Inventories	-	-	6,878,030	6,878,030
Fund Balance at End of Year.....	\$ -	\$ -	\$ 69,216,269	\$ 69,216,269

The accompanying notes are an integral part of the financial statements.

City of Detroit, Michigan
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004

	Sewage Disposal Fund	Transportation Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents.....	\$ -	\$ 2,367,033
Investments.....	40,242,687	1,643,586
Accounts and Contracts Receivable:		
Due from Other Funds.....	40,413,894	236,405
Due from Other Governmental Agencies.....	-	20,485,453
Other Receivables- Trade.....	190,767,579	707,656
Total Accounts and Contracts Receivable.....	231,181,473	21,429,514
Allowance for Uncollectible Accounts.....	(42,901,655)	(44,290)
Total Accounts and Contracts Receivable - Net.....	188,279,818	21,385,224
Inventories.....	10,890,503	9,897,618
Prepaid Expenses.....	5,880	-
Restricted Cash and Cash Equivalents.....	31,905,215	-
Restricted Investments.....	349,717,460	-
Restricted Due from Other Funds.....	20,688,810	-
Total Current Assets.....	641,730,373	35,293,461
Noncurrent Assets:		
Restricted:		
Investments.....	261,766,757	-
Capital Assets:		
Land.....	13,876,751	4,114,574
Land Improvements.....	-	-
Buildings and Structures.....	891,488,855	65,498,463
Water and Sewer Lines.....	532,455,750	-
Equipment, Machinery, and Fixtures.....	572,095,371	48,489,640
Vehicles and Buses.....	-	148,970,549
Construction Work in Progress.....	1,203,738,078	4,699,876
Total Capital Assets.....	3,213,654,805	271,773,102
Less: Accumulated Depreciation.....	(637,571,035)	(141,287,061)
Net Capital Assets.....	2,576,083,770	130,486,041
Total Non-Current Assets.....	2,837,850,527	130,486,041
Other Assets:		
Bond Issuance Costs.....	31,105,792	-
Other.....	-	650,000
Total Noncurrent Assets.....	2,868,956,319	131,136,041
Total Assets.....	3,510,686,692	166,429,502
(Continued)		

Enterprise Funds

Water Fund	Automobile Parking Fund	Non-Major Funds	Total
\$ 3,811,324	\$ 1,226,170	\$ 772,417	\$ 8,176,944
13,491,812	20,063	-	55,398,148
30,044,331	779,598	1,037,750	72,511,978
-	-	9,424	20,494,877
94,940,116	1,097,789	831,061	288,344,201
124,984,447	1,877,387	1,878,235	381,351,056
(30,237,264)	-	(385,482)	(73,568,691)
94,747,183	1,877,387	1,492,753	307,782,365
6,832,006	-	-	27,620,127
106,819	119,295	88,693	320,687
21,717,159	-	-	53,622,374
273,615,422	203,360	-	623,536,242
19,027,664	-	-	39,716,474
433,349,389	3,446,275	2,353,863	1,116,173,361
22,769,343	35,674,087	-	320,210,187
6,527,438	7,014,114	5,169,374	36,702,251
96,834,157	214,908	8,020,718	105,069,783
453,406,152	199,088,852	5,272,287	1,614,754,609
689,057,547	-	-	1,221,513,297
492,782,490	2,339,955	1,729,317	1,117,436,773
-	-	1,482,115	150,452,664
679,745,387	5,858,056	-	1,894,041,397
2,418,353,171	214,515,885	21,673,811	6,139,970,774
(647,652,745)	(107,900,645)	(12,104,762)	(1,546,516,248)
1,770,700,426	106,615,240	9,569,049	4,593,454,526
1,793,469,769	142,289,327	9,569,049	4,913,664,713
27,605,624	-	-	58,711,416
-	517,430	-	1,167,430
1,821,075,393	142,806,757	9,569,049	4,973,543,559
2,254,424,782	146,253,032	11,922,912	6,089,716,920

City of Detroit, Michigan
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004 (Continued)

	Sewage Disposal Fund	Transportation Fund
LIABILITIES AND NET ASSETS		
Liabilities:		
Current Liabilities:		
Book Cash Overdraft	134,189	-
Accounts and Contracts Payable.....	13,928,353	14,478,990
Due to Other Funds.....	31,637,856	15,350,255
Due to Fiduciary Funds.....	3,037,250	4,367,232
Due to Component Units.....	-	5,526,824
Refundable Deposits.....	-	-
Accrued Salaries and Wages.....	1,455,830	2,778,992
Accrued Compensated Absences.....	6,051,544	2,984,129
Accrued Public Liability and Workers Compensation.....	1,181,346	709,620
Other Liabilities.....	9,738,648	-
Bonds and Notes Payable	44,825,000	-
Accrued Interest on Bonds and Notes Payable.....	25,691,034	-
Restricted Accounts and Contracts Payable.....	78,922,676	-
Restricted Due to Other Funds.....	5,207,146	-
Restricted Other Liabilities.....	-	-
Deferred Revenue.....	-	117,630
Total Current Liabilities.....	221,810,872	46,313,672
Noncurrent Liabilities:		
Bonds and Notes Payable.....	2,330,327,599	-
Unamortized Discount and Gain on Defeasances.....	(8,476,974)	-
Bonds and Notes Payable - Net.....	2,321,850,625	-
Deferred Swap Termination Fees.....	14,056,137	-
Accrued Compensated Absences.....	6,106,719	746,032
Accrued Public Liability and Workers' Compensation.....	4,025,338	2,838,480
Advance From Other Funds.....	-	-
Total Noncurrent Liabilities.....	2,346,038,819	3,584,512
Total Liabilities	2,567,849,691	49,898,184
Net Assets:		
Invested in Capital Assets, Net of Related Debt.....	610,829,187	130,486,041
Restricted for Debt Service.....	130,303,233	-
Unrestricted (Deficit).....	201,704,581	(13,954,723)
Total Net Assets.....	\$ 942,837,001	\$ 116,531,318

The accompanying notes are an integral part of the financial statements.

Enterprise Funds

Water Fund	Automobile Parking Fund	Non-Major Funds	Total
-	-	-	134,189
19,127,419	1,672,280	176,652	49,383,694
47,587,676	1,032,376	490,730	96,098,893
1,580,632	467,162	19,518	9,471,794
-	-	-	5,526,824
-	-	93,067	93,067
1,817,697	-	25,882	6,078,401
9,984,576	199,469	171,351	19,391,069
4,756,519	-	10,933	6,658,418
3,068,993	-	213,553	13,021,194
22,440,000	6,255,000	-	73,520,000
32,246,376	2,222,674	-	60,160,084
31,321,660	-	80,000	110,324,336
7,375,701	-	-	12,582,847
621,531	-	-	621,531
-	-	4,701	122,331
181,928,780	11,848,961	1,286,387	463,188,672
1,690,995,000	60,845,000	-	4,082,167,599
(59,570,404)	1,808,213	-	(66,239,165)
1,631,424,596	62,653,213	-	4,015,928,434
16,943,863	-	-	31,000,000
5,604,945	247,624	295,927	13,001,247
11,021,735	-	111,716	17,997,269
-	2,560,000	-	2,560,000
1,664,995,139	65,460,837	407,643	4,080,486,950
1,846,923,919	77,309,798	1,694,030	4,543,675,622
237,151,776	75,382,312	9,569,049	1,063,418,365
68,734,107	-	-	199,037,340
101,614,980	(6,439,078)	659,833	283,585,593
\$ 407,500,863	\$ 68,943,234	\$ 10,228,882	\$ 1,546,041,298

City of Detroit, Michigan
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2004

	Sewage Disposal Fund	Transportation Fund
Operating Revenues:		
Sales and Charges for Services.....	\$ 312,798,177	\$ 24,712,839
Rentals, Fees and Surcharges.....	3,155,337	-
Miscellaneous.....	3,856,227	-
Total Operating Revenues.....	<u>319,809,741</u>	<u>24,712,839</u>
Operating Expenses:		
Salaries, Wages and Benefits.....	45,861,755	123,721,317
Contractual Services.....	-	24,875,402
Operating	121,556,006	-
Repairs and Maintenance.....	15,566,222	-
Materials, Supplies and Other Expenses.....	-	43,588,697
Depreciation and Amortization.....	50,085,670	14,397,301
Total Operating Expenses.....	<u>233,069,653</u>	<u>206,582,717</u>
Total Operating Income (Loss).....	<u>86,740,088</u>	<u>(181,869,878)</u>
Non-Operating Revenues (Expenses):		
Earnings on Investments.....	8,017,586	49,744
Grants-Federal.....	-	23,160,885
Contributions.....	-	66,184,533
Revenue from Interest Rate Swap.....	-	-
Interest on Bonds and Notes Payable.....	(59,629,554)	-
Gain on Disposal of Assets.....	-	-
Other Revenue.....	-	2,609,933
Other Expenses.....	(4,699,023)	-
Total Non-Operating Revenues (Expenses).....	<u>(56,310,991)</u>	<u>92,005,095</u>
Net Income (Loss) Before Contributions and Transfers.....	30,429,097	(89,864,783)
Capital Contributions.....	-	29,420,774
Transfers In.....	-	74,318,857
Increase (Decrease) in Net Assets.....	<u>30,429,097</u>	<u>13,874,848</u>
Net Assets - Beginning of Year, as Restated.....	912,407,904	102,656,470
Net Assets - End of Year.....	<u>\$ 942,837,001</u>	<u>\$ 116,531,318</u>

The accompanying notes are an integral part of the financial statements.

Enterprise Funds

Water Fund	Automobile Parking Fund	Non-Major Funds	Total
\$ 251,697,368	\$ -	\$ 71,677	\$ 589,280,061
-	19,478,139	894,513	23,527,989
3,719,815	-	6,469	7,582,511
255,417,183	19,478,139	972,659	620,390,561
42,072,318	2,283,524	1,697,545	215,636,459
-	3,604,361	-	28,479,763
107,890,191	3,917,705	693,491	234,057,393
-	2,246,365	160,486	17,973,073
2,599,262	242,808	857,384	47,288,151
38,853,740	5,901,177	621,701	109,859,589
191,415,511	18,195,940	4,030,607	653,294,428
64,001,672	1,282,199	(3,057,948)	(32,903,867)
4,223,627	225,250	-	12,516,207
-	-	299,161	23,460,046
-	-	-	66,184,533
-	163,099	-	163,099
(52,210,199)	(3,794,906)	-	(115,634,659)
-	140,012	-	140,012
1,039,710	-	-	3,649,643
-	-	-	(4,699,023)
(46,946,862)	(3,266,545)	299,161	(14,220,142)
17,054,810	(1,984,346)	(2,758,787)	(47,124,009)
4,038,816	-	-	33,459,590
-	-	2,789,179	77,108,036
21,093,626	(1,984,346)	30,392	63,443,617
386,407,237	70,927,580	10,198,490	1,482,597,681
\$ 407,500,863	\$ 68,943,234	\$ 10,228,882	\$ 1,546,041,298

City of Detroit, Michigan
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2004

	Sewage Disposal Fund	Transportation Fund
Cash Flows from Operations:		
Receipts from Customers.....	\$ 323,241,563	\$ 26,602,717
Advances from Other Funds.....	-	-
Repayments from Other Funds.....	-	-
Repayments to Other Funds.....	(3,467,351)	-
Deposits Refunded to Customers.....	-	-
Payments to Suppliers.....	(109,592,661)	(65,848,176)
Payments to Employees.....	(43,049,784)	(123,418,065)
Net Cash Provided by (Used in) Operating Activities.....	167,131,767	(162,663,524)
Cash Flows from Non-Capital Financing Activities:		
Grants and Contributions from Other Governments.....	-	91,955,351
Transfers from Other Funds.....	-	79,814,654
Net Cash Provided by Non-Capital Financing Activities.....	-	171,770,005
Cash Flows from Capital and Related Financing Activities:		
Capital Contributions.....	-	23,944,107
Acquisition and Construction of Capital Assets.....	(354,410,519)	(29,433,117)
Proceeds from Bond and Note Issuances.....	208,532,328	-
Unamortized Discount and Bond Issuance Cost.....	2,644,404	-
Principal Paid on Bonds and Notes.....	(38,745,000)	-
Interest Paid on Bonds - Net.....	(113,346,957)	-
Principal Paid on Refunded Debt.....	(103,845,000)	-
Amount received through Swap Agreement Debt.....	-	-
Swap Termination Fees.....	14,056,137	-
Other Receipts.....	410,035	-
Net Cash Provided by (Used in) Capital and Related Financing Activities.....	(384,704,572)	(5,489,010)
Cash Flows from Investing Activities:		
Proceeds (Losses) from Sales and Maturities of Investments, Net.....	195,891,333	(1,369,744)
Interest on Investment Securities.....	8,017,587	49,744
Net Cash Provided by (Used in) Investing Activities.....	203,908,920	(1,320,000)
Net Increase (Decrease) in Cash and Cash Equivalents.....	(13,663,885)	2,297,471
Cash and Cash Equivalents at Beginning of Year, as Restated.....	45,434,911	69,562
Cash and Cash Equivalents at End of Year.....	\$ 31,771,026	\$ 2,367,033

(Continued)

The accompanying notes are an integral part of the financial statements.

Enterprise Funds			
Water Fund	Automobile Parking Fund	Non-Major Funds	Total
\$ 248,883,564	\$ 19,788,804	\$ 886,368	\$ 619,403,016
-	1,310,000	-	1,310,000
-	(447,077)	-	(447,077)
(30,515,991)	(523,276)	(59,045)	(34,565,663)
-	-	2,811	2,811
(109,534,716)	(10,132,891)	(1,344,144)	(296,452,588)
(38,181,938)	(2,117,261)	(1,534,665)	(208,301,713)
70,650,919	7,878,299	(2,048,675)	80,948,786
-	-	289,737	92,245,088
-	-	3,078,916	82,893,570
-	-	3,368,653	175,138,658
4,038,816	-	-	27,982,923
(149,715,214)	(892,957)	-	(534,451,807)
226,410,000	-	-	434,942,328
4,725,892	314,649	-	7,684,945
(19,740,000)	(6,215,000)	-	(64,700,000)
(80,728,302)	(3,811,036)	-	(197,886,295)
(226,410,000)	-	-	(330,255,000)
-	4,077,469	-	4,077,469
16,943,863	-	-	31,000,000
1,039,710	-	-	1,449,745
(223,435,235)	(6,526,875)	-	(620,155,692)
125,994,982	(981,439)	-	319,535,132
4,223,627	225,250	-	12,516,208
130,218,609	(756,189)	-	332,051,340
(22,565,707)	595,235	1,319,978	(32,016,908)
48,094,190	630,935	203,160	94,432,758
\$ 25,528,483	\$ 1,226,170	\$ 1,523,138	\$ 62,415,850

City of Detroit, Michigan
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)
For the Year Ended June 30, 2004

	Sewage Disposal Fund	Transportation Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in)		
Operating Activities:		
Operating Income (Loss).....	\$ 86,740,088	\$ (181,869,878)
Adjustments to Operating Income (Loss):		
Depreciation and Amortization	50,085,670	14,397,301
Allowance for Uncollectible Accounts.....	5,237,411	(7,580)
Late Charges and Other, Net.....	(6,468,196)	-
Changes in Assets and Liabilities:		
Other Receivables - Trade.....	(10,074,723)	1,889,878
Inventories.....	3,365,569	1,655,682
Prepaid Expenses.....	29,477,360	-
Accounts Receivable Expenses.....	-	-
Due from Other Funds.....	-	-
Accounts and Contracts Payable.....	5,412,445	1,062,881
Due to Other Funds.....	(3,467,351)	(1,728,671)
Due to Component Units.....	-	880,571
Due to Governmental Agencies.....	-	-
Other Liabilities.....	4,041,931	-
Accrued Compensated Absences.....	-	(117,814)
Accrued Public Liability and Worker Compensation.....	2,524,033	753,040
Advances from Other Funds.....	-	-
Refundable Deposits.....	-	-
Prepaid Revenue.....	-	-
Accrued Salaries and Wages.....	257,530	421,066
Net Cash Provided by (Used in) Operating Activities.....	<u>\$ 167,131,767</u>	<u>\$ (162,663,524)</u>

The accompanying notes are an integral part of the financial statements.

Enterprise Funds			
Water Fund	Automobile Parking Fund	Non-Major Funds	Total
\$ 64,001,672	\$ 1,282,199	\$ -	\$ (29,845,919)
38,853,740	5,901,177	-	109,237,888
-	-	-	5,229,831
-	-	-	(6,468,196)
(9,800,681)	-	-	(17,985,527)
622,369	-	-	5,643,620
428,602	(201,720)	-	29,704,242
-	310,665	-	310,665
(30,515,991)	(447,077)	2,811	(30,960,257)
3,912,059	80,068	72	10,467,525
-	(523,276)	-	(5,719,298)
-	-	-	880,571
-	-	-	-
-	-	-	4,041,931
-	166,263	(2,048,675)	(2,000,226)
2,922,120	-	-	6,199,193
-	1,310,000	-	1,310,000
-	-	-	-
-	-	-	-
227,029	-	-	905,625
<u>\$ 70,650,919</u>	<u>\$ 7,878,299</u>	<u>\$ (2,045,792)</u>	<u>\$ 80,951,669</u>

City of Detroit, Michigan
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2004

	Pension and Other Employee Benefit Funds	Agency Funds	Total
ASSETS			
Cash and Cash Equivalents.....	\$ 7,972,268	\$ 2,398,727	\$ 10,370,995
Investments at Fair Value:			
Short-Term Investments.....	153,642,872	-	153,642,872
Commercial Paper.....	4,964,125	-	4,964,125
U. S. Government Obligations.....	75,727	-	75,727
Bonds and Stocks.....	4,133,187,361	-	4,133,187,361
Mortgage-Backed Securities.....	152,535,435	-	152,535,435
Mortgage and Construction Loans.....	243,145,421	-	243,145,421
Equity Interest in Real Estate.....	166,362,111	-	166,362,111
Real Estate Investment Trusts Held by Custodian.....	28,522,443	-	28,522,443
Pooled Investments.....	472,759,003	7,108,506	479,867,509
Private Placements.....	302,152,022	-	302,152,022
Total Investments.....	5,657,346,520	7,108,506	5,664,455,026
Accrued Interest Receivable.....	25,454,111	-	25,454,111
Accounts Receivable:			
Due from Primary Government.....	85,796,911	185,281	85,982,192
Due from Component Units.....	1,760,431	-	1,760,431
Other Receivables.....	100,600,019	-	100,600,019
Total Accounts Receivable.....	188,157,361	185,281	188,342,642
Cash and Investments Held as Collateral for Securities Lending	889,804,447	-	889,804,447
Other Assets.....	1,138,284	-	1,138,284
Total Assets.....	6,769,872,991	9,692,514	6,779,565,505
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts and Contracts Payable.....	12,104,309	1,758,815	13,863,124
Due to Broker.....	133,277,124	-	133,277,124
Benefits and Claims Payable.....	12,147,545	-	12,147,545
Due to Primary Government.....	4,377,914	117,215	4,495,129
Due to Component Units.....	787,815	-	787,815
Amount Due to Broker for Securities Lending.....	889,804,447	-	889,804,447
Other Liabilities.....	29,245,952	7,816,484	37,062,436
Total Liabilities.....	1,081,745,106	9,692,514	1,091,437,620
Net Assets:			
Net Assets Held in Trust for Pension and Employee Benefits.....	\$ 5,688,127,885	\$ -	\$ 5,688,127,885

(An unaudited Schedule of Employer Contributions and Funding Progress is presented on page 82)

The accompanying notes are an integral part of the financial statements.

City of Detroit, Michigan
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2004

	Pension and Other Employee Benefit Funds
ADDITIONS:	
Employer Contributions.....	\$ 418,018,244
Plan Member Contributions.....	57,700,769
Other Income.....	16,145,774
Total Contributions.....	<u>491,864,787</u>
Investment Gain	754,857,358
Total Additions.....	<u>1,246,722,145</u>
DEDUCTIONS:	
Pension and Annuity Benefits.....	357,303,189
Premiums to Insurers and Damage Claims.....	275,675,854
Benefits.....	2,855,837
Refunds.....	145,422,902
General and Administrative Expenses.....	7,590,116
Total Deductions.....	<u>788,847,898</u>
Net Increase.....	457,874,247
Net Assets Held in Trust for Pension and Employee Benefits, Beginning of Year.....	5,230,253,638
Net Assets Held in Trust for Pension and Employee Benefits, End of Year.....	<u>\$ 5,688,127,885</u>

The accompanying notes are an integral part of the financial statements.

City of Detroit, Michigan
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2004

	Brownfield Redevelopment Authority	Detroit Public Library	Downtown Development Authority	Economic Development Corporation	Detroit Housing Commission	Local Development Finance Authority	Museum of African American History
ASSETS:							
Cash and Cash Equivalents.....	\$ 125,218	\$ 68,321	\$ 1,428,134	\$ 3,170,197	\$ 5,239,526	\$ 5,358	\$ 1,037,167
Escrow Deposits-Cash.....	-	-	109,884	48,262,665	4,072,135	-	-
Investments, including Accrued Interest.....	-	3,922,184	118,437,981	18,777,406	-	-	426,082
Accounts and Contracts Receivable:							
Due from Primary Government.....	-	10,019,030	548,778	-	-	1,390,020	-
Due from Other Governments.....	-	1,598,535	-	-	13,324,884	365,548	-
Other Receivables.....	30,167	8,168,188	223,906	1,046,725	736,532	-	20,618
Total Accounts and Contracts Receivable	30,167	19,785,753	772,684	1,046,725	14,061,416	1,755,568	20,618
Allowance for Doubtful Accounts.....	-	(5,875,000)	-	-	(1,517,755)	-	-
Total Accounts and Contracts Receivable - Net.....	30,167	13,910,753	772,684	1,046,725	12,543,661	1,755,568	20,618
Inventory.....	-	3,224,483	-	-	-	-	118,798
Prepaid Expenditures/Expenses.....	-	-	109,708	-	438,424	-	42,719
Taxes, Interest, and Penalties Receivable - Net.....	-	795,000	4,748,316	-	16,419	-	-
Loans and Notes Receivable.....	-	-	65,496,225	2,592,196	554,409	-	-
Inventory Net of Allowance.....	-	-	-	-	312,612	-	-
Unamortized Bond and Note Issue Costs- Net.....	-	-	3,631,939	-	-	-	-
Restricted Cash.....	-	1,390,386	-	-	417,123	-	-
Restricted Escrow Deposits-Cash.....	-	-	-	-	1,589,973	-	-
Restricted Investments.....	-	6,451,567	-	-	-	28,134,743	-
Capital Assets:							
Land.....	-	1,371,996	7,544,670	-	15,119,876	-	-
Artwork.....	-	1,230,175	-	-	-	-	-
Plant and Equipment.....	-	160,765,691	26,823,841	-	144,602,286	-	7,204,534
Construction Work in Progress.....	-	-	-	-	23,942,191	-	-
Less: Accumulated Depreciation.....	-	(149,482,798)	(1,291,691)	-	(61,436,801)	-	(1,949,044)
Capital Assets, Net.....	-	13,885,064	33,076,820	-	122,227,552	-	5,255,490
Other.....	-	-	2,556,203	1,009,482	6,639,235	-	-
Deferred Charges.....	-	-	-	-	-	-	-
Total Assets.....	155,385	43,647,758	230,367,894	74,858,671	154,051,069	29,895,669	6,900,874
LIABILITIES:							
Current Liabilities:							
Accounts Payable and Contracts Payable.....	84,765	134,644	1,283,061	48,409,675	3,777,483	295,117	437,641
Interest Payable.....	-	-	6,617,492	248,092	-	819,156	-
Due to Primary Government.....	-	2,016,105	899,109	2,715	2,971,985	-	3,047
Advances Due to Primary Government.....	-	-	-	358,205	-	-	-
Accrued Salaries and Wages.....	-	774,220	-	-	113,617	-	179,961
Deferred Revenues.....	-	-	-	-	628,301	-	510,000
Other Current Liabilities.....	-	281,061	7,163,135	-	3,426,413	-	-
State Aid Anticipation and Other Notes Payable.....	-	-	-	-	-	-	-
Bonds, Notes, and Other Debt Payables-Current.....	-	-	10,548,000	1,508,185	-	2,190,000	530,732
Unamortized Premiums and Defeasances.....	-	-	(70,303)	-	-	-	-
Bonds, Notes and Other Debt Payable-Current-Net.....	-	-	10,477,697	1,508,185	-	2,190,000	530,732
Accrued Compensated Absences.....	-	189,017	-	-	288,311	-	-
Accrued Public Liability and Workers Compensation.....	-	177,597	-	-	146,909	-	-
Noncurrent Liabilities:							
Bonds, Notes, and Other Debt Payables-Noncurrent.....	-	-	169,273,198	1,255,963	15,343,095	89,211,533	34,543
Unamortized Premiums and Defeasances.....	-	-	(1,492,731)	-	-	-	-
Bonds, Notes and Other Debt Payable-NonCurrent-Net.....	-	-	167,780,467	1,255,963	15,343,095	89,211,533	34,543
Accrued Compensated Absences.....	-	3,723,528	-	-	773,367	-	-
Accrued Public Liability and Workers Compensation.....	-	263,306	-	-	-	-	-
Total Liabilities.....	84,765	7,559,478	194,220,961	51,782,835	27,469,481	92,515,806	1,695,924
NET ASSETS:							
Invested in Capital Assets, Net of Related Debt.....	-	13,885,064	33,076,820	-	122,227,552	-	5,255,490
Restricted for:							
Restricted (Non-Expendable).....	-	7,841,953	-	-	417,123	5,982,951	-
Capital Projects.....	27,199	-	1,622,333	22,890,567	-	-	904,735
Debt Service.....	-	-	1,447,780	-	-	22,798,445	-
Unrestricted (Deficit).....	43,421	14,361,263	-	185,269	3,936,913	(91,401,533)	(955,275)
Total Net Assets (Deficit)	\$ 70,620	\$ 36,088,280	\$ 36,146,933	\$ 23,075,836	\$ 126,581,588	\$ (62,620,137)	\$ 5,204,950

The accompanying notes are an integral part of the financial statements.

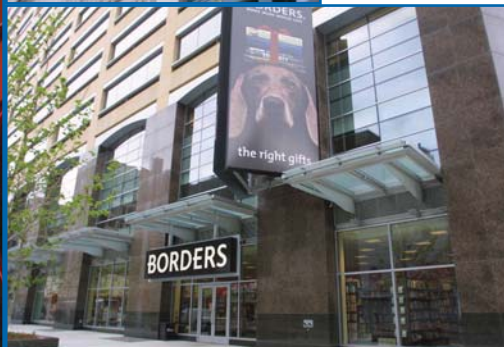
Detroit Public Schools	Tax Increment Finance Authority	Detroit Transportation Corporation	Greater Detroit Resource Recovery Authority	Totals
\$ 8,903,480	\$ -	\$ 248,969	\$ -	\$ 20,226,370
-	-	-	-	52,444,684
82,612,840	-	4,469,933	-	228,646,426
-	-	-	-	-
-	-	5,526,824	-	17,484,652
275,287,381	-	2,770,917	-	293,347,265
5,139,584	-	429,012	6,764,908	22,559,640
280,426,965	-	8,726,753	6,764,908	333,391,557
-	-	-	-	(7,392,755)
280,426,965	-	8,726,753	6,764,908	325,998,802
5,185,267	-	2,826,498	-	11,355,046
-	-	751,260	3,219,056	4,561,167
73,891,226	-	-	-	79,450,961
-	-	-	-	68,642,830
-	-	-	-	312,612
-	-	-	1,731,875	5,363,814
-	-	-	4,959,622	6,767,131
-	-	-	-	1,589,973
512,856,242	-	8,637,382	176,790,525	732,870,459
55,427,603	-	5,122,237	8,873,234	93,459,616
-	-	1,986,000	-	3,216,175
1,282,546,054	-	197,657,785	513,623,297	2,333,223,488
432,500,072	-	5,565,185	-	462,007,448
(415,432,011)	-	(128,170,937)	(172,504,729)	(930,268,011)
1,355,041,718	-	82,160,270	349,991,802	1,961,638,716
-	-	-	-	10,204,920
-	-	-	1,719,417	1,719,417
2,318,917,738	-	107,821,065	545,177,205	3,511,793,328
99,496,747	-	1,602,781	11,970,108	167,492,022
14,680,116	-	-	1,405,482	23,770,338
-	-	67,149	15,647,690	21,607,800
-	-	-	-	358,205
91,520,268	-	429,341	-	93,017,407
5,668,253	-	3,004,250	-	9,810,804
1,192,267	-	3,351,942	-	15,414,818
265,734,805	-	-	-	265,734,805
43,208,483	-	-	49,105,000	107,090,400
5,440,823	-	-	-	5,370,520
48,649,306	-	-	49,105,000	112,460,920
2,325,877	-	-	-	2,803,205
-	-	-	-	324,506
1,500,342,500	-	-	420,081,864	2,195,542,696
40,264,803	-	-	(4,852,180)	33,919,892
1,540,607,303	-	-	415,229,684	2,229,462,588
145,366,807	-	210,881	-	150,074,583
56,401,699	-	-	-	56,665,005
2,271,643,448	-	8,666,344	493,357,964	3,148,997,006
228,472,107	-	82,160,270	56,523,425	541,600,728
-	-	-	-	14,242,027
-	-	5,637,382	-	31,082,216
4,699,713	-	-	(4,704,184)	24,241,754
(185,897,530)	-	11,357,069	-	(248,370,403)
\$ 47,274,290	\$ -	\$ 99,154,721	\$ 51,819,241	\$ 362,796,322

City of Detroit, Michigan
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended June 30, 2004

	Brownfield Redevelopment Authority	Detroit Public Library	Downtown Development Authority	Economic Development Corporation	Detroit Housing Commission
Expenses.....	\$ (200,328)	\$ (37,989,764)	\$ (62,463,896)	\$ (12,227,756)	\$ (66,240,398)
Program Revenues:					
Charges for Services.....	139,463	304,294	11,095,995	17,123,677	69,036,445
Operating Grants and Contributions.....	104,070	5,712,417	-	-	-
Total Program Revenues.....	243,533	6,016,711	11,095,995	17,123,677	69,036,445
Net Program (Expenses) Revenue.....	43,205	(31,973,053)	(51,367,901)	4,895,921	2,796,047
General Revenues:					
Property Taxes - Levied for General Purposes.....	27,199	30,335,182	29,101,165	-	-
Property Taxes - Levied for Debt Service.....	-	-	-	-	-
Investment Income.....	-	193,781	-	1,995	184,916
Interest and Penalties on Taxes.....	216	1,108,483	-	-	-
Shared Taxes.....	-	2,743,305	-	-	-
Other Taxes and Assessments.....	-	1,332,596	-	-	-
Other Non Operating	-	1,394,768	674,622	300,000	15,437,432
General Revenues.....	27,415	37,108,115	29,775,787	301,995	15,622,348
Change in Net Assets.....	70,620	5,135,062	(21,592,114)	5,197,916	18,418,395
Net Assets(Deficit) - Beginning of Year, as Restated.....	-	30,953,218	57,739,047	17,877,920	108,163,193
Net Assets (Deficit) - End of Year.....	\$ 70,620	\$ 36,088,280	\$ 36,146,933	\$ 23,075,836	\$ 126,581,588

The accompanying notes are an integral part of the financial statements.

Local Development Finance Authority	Museum of African American History	Detroit Public Schools	Tax Increment Finance Authority	Detroit Transportation Corporation	Greater Detroit Resource Recovery Authority	Totals
\$ (14,513,509)	\$ (6,834,923)	\$ (1,777,402,877)	\$ (11,636,682)	\$ (18,881,512)	\$ (116,723,107)	\$ (2,125,114,752)
-	1,583,936	7,580,249	-	367,012	43,792,111	151,023,182
6,950,000	5,075,412	525,155,465	-	9,621,165	71,146,881	623,765,410
6,950,000	6,659,348	532,735,714	-	9,988,177	114,938,992	774,788,592
(7,563,509)	(175,575)	(1,244,667,163)	(11,636,682)	(8,893,335)	(1,784,115)	(1,350,326,160)
8,438,775	-	76,978,512	11,636,682	-	-	156,517,515
-	-	104,758,050	-	-	-	104,758,050
178,830	5,290	7,896,070	-	4,664	1,364,866	9,830,412
-	-	-	-	-	-	1,108,699
-	-	932,399,129	-	-	-	935,142,434
315,822	-	10,675,608	-	-	-	12,324,026
-	3,357,051	-	-	4,812,141	-	25,976,014
8,933,427	3,362,341	1,132,707,369	11,636,682	4,816,805	1,364,866	1,245,657,150
1,369,918	3,186,766	(111,959,794)	-	(4,076,530)	(419,249)	(104,669,010)
(63,990,055)	2,018,184	159,234,084	-	103,231,251	52,238,490	467,465,332
\$ (62,620,137)	\$ 5,204,950	\$ 47,274,290	\$ -	\$ 99,154,721	\$ 51,819,241	\$ 362,796,322



New Commercial Developments - A variety of commercial enterprises found homes and new locations in Detroit. Pure Detroit sells Detroit products from two new locations on Monroe in Greektown and in the Guardian Building. Two new restaurants – Small Plates and the Detroit Beer Company – opened across from the Detroit Opera House. Among the new businesses opening in the Compuware Building are national vendors, Hard Rock Café and Borders Bookstore, located in the Campus Martius area on Monroe and Woodward.

NEW COMMERCIAL DEVELOPMENTS

NOTES
TO BASIC
FINANCIAL
STATEMENTS

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Detroit (the City), incorporated in 1806, is a home rule city under State law. The City is organized into two separate branches: (1) the executive branch, which is headed by the Mayor, and (2) the legislative branch, which is composed of the City Council and its agencies. Other agencies (City Clerk and Election) are not classified under the two branches. The City provides the following services as authorized by its charter: public protection, public works, recreation and culture, health, economic development, public lighting, transportation, water and sewage, airport, and parking.

A. REPORTING ENTITY

As required by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the financial statements of the reporting entity include those of the City (the primary government) and its component units. Component units are legally separate organizations for which the elected officials of the City are financially accountable, or the relationship to the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The twelve component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

1. Blended Component Unit:

Detroit Building Authority (DBA): The City of Detroit Building Authority (DBA) is included in the operations and activities of the City because it was incorporated for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating, or maintaining a building or buildings (including but not limited to health and public safety facilities), automobile parking lots or structures (independently or adjunct to other buildings), recreational facilities, and the necessary site or sites, together with appurtenant properties and facilities necessary or convenient for the effective use thereof, all for the use of any legitimate public purpose of the City. Financing is provided by the issuance of bonds secured by lease agreements with the City and from grants received by the City.

2. Discretely Presented Component Units:

Component units, which are not blended as part of the primary government, are discretely presented by reporting component unit financial data in a column separate from the financial data of the primary government. These units are reported in a separate column to emphasize that they are legally separate from the City. The component units presented in this manner are the following:

Detroit Public Library (DPL): The DPL is a statutory body created by the State of Michigan. The DPL was created to provide reference materials, research information, and publications to residents of the City and the County. Funding is provided by an ad valorem tax of 3.63 mills in real and personal property taxes in the City. In addition, DPL receives grants and endowments from private organizations. City Council is responsible for approving DPL's annual budget.

Detroit Housing Commission (DHC): The DHC was established in 1933 under the authority of the Housing Facilities Act, 1933 PA18 (Ex. Sess), MCL 125.651 et.seq. Section 2 of the act provided that any city or incorporated village with population of over 500,000 was authorized "to purchase, acquire, construct, maintain, operate, improve, extend, and/or repair housing facilities and to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, and/or welfare."

Effective July 1, 2003 the Michigan Supreme Court determined that the DHC is a separate legal entity from the City. The Commission is governed by a five (5) member board appointed by the Mayor. A change in the City's reporting entity regarding the DHC is discussed in footnote I-C.

Downtown Development Authority (DDA): The DDA was created to promote and develop economic growth in the City's downtown business district. Funding is provided by an ad valorem tax of 1.0 mill on real and personal

property in the downtown development district, a levy on the increased assessed value of a tax increment district, and issuance of revenue and tax increment bonds.

Economic Development Corporation (EDC): The EDC was established to create and implement project plans for designated project areas within the City, and thus encourage the location and expansion of industrial and commercial enterprises within the City. The EDC is primarily funded by means of grants from the City.

Local Development Finance Authority (LDFA): The LDFA was created to finance certain improvements for local public roads in the vicinity of the Chrysler Jefferson Avenue Assembly Plant. Incremental portions of the City and the County of Wayne (the County) property taxes fund LDFA.

Museum of African American History (MAAH): The MAAH was created to provide research, compilation, presentation, publication, and dissemination of knowledge relating to the history, growth, development, heritage, and culture of people of African descent and the human struggle for freedom. The MAAH is primarily funded by means of private grants and grants from the City.

School District of the City of Detroit (the District): The District is a statutory body created by the State of Michigan and functions under the provisions of the Michigan School Code. Funding is provided by an ad valorem tax of 13.19 mills (homestead properties) and 31.19 mills (non-homestead) on real and personal property in the City and a "foundation allowance" provided by the State of Michigan.

Detroit Brownfield Redevelopment Authority (DBRA): The City of Detroit Brownfield Redevelopment Authority was created by a Detroit City Council resolution dated April 23, 1998, and approved by the Mayor of the City of Detroit on April 30, 1998, under the provisions of Act 381, Public Acts of Michigan of 1996. DBRA was established to create Brownfield redevelopment zones and promote the revitalization, redevelopment, and reuse of certain property, including, but not limited to, tax-reverted, blighted, or functionally obsolete property. This is the first year of substantial financial activity for this authority.

Tax Increment Finance Authority (TIFA): The TIFA was created to acquire property and provide financing for industrial development programs through issuance of long-term debt secured by a tax increment financing plan.

Detroit Transportation Corporation (DTC): The DTC was established in 1985 to oversee construction and operation of the Central Automated Transit System (People Mover) in downtown Detroit. The DTC is primarily funded by means of grants from the City.

Greater Detroit Resource Recovery Authority (GDRRA): The GDRRA was established by the cities of Detroit and Highland Park for the acquisition, construction, and operation of a waste-to-energy facility. The financing was provided by the issuance of revenue bonds.

Complete financial statements of the individual component units can be obtained directly from the following administrative offices:

Downtown Development Authority
211 West Fort Street, Suite 900
Detroit, MI 48226
(313) 963-2940

Local Development Finance Authority
211 West Fort Street, Suite 900
Detroit, MI 48226
(313) 963-2940

Economic Development Corporation
211 West Fort Street, Suite 900
Detroit, MI 48226
(313) 963-2940

Museum of African American History
315 East Warren Avenue
Detroit, MI 48201
(313) 494-5800

School District of the City of Detroit
3011 West Grand Blvd.
11th Floor
Detroit, MI 48202
(313) 873-4147

Brownfield Redevelopment Authority
500 Griswold, Suite 2200
Detroit, Michigan 48226
(313) 237-4616

Tax Increment Finance Authority
211 West Fort Street Avenue, Suite 900
Detroit, MI 48226
(313) 963-2940

Detroit Public Library
5201 Woodward Avenue
Detroit, MI 43202
(313) 833-1000

Detroit Housing Commission
2211 Orleans Street
Detroit, Michigan 48207
(313) 877-8557

Detroit Transportation Corporation
1420 Washington Blvd., 3rd Floor
Detroit, MI 48226
(313) 224-2160

Greater Detroit Resource Recovery Authority
5700 Russell Street
Detroit, MI 48211
(313) 876-0449

B. JOINT VENTURE

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated or governed by two or more participants as a separate and specific activity, subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The City participates in the following joint venture:

The Detroit-Wayne Joint Building Authority (DWJBA) was created as a corporate instrumentality in 1948 by agreement between the City and the County. All revenues or other monies received by the DWJBA must be disbursed for specific purposes in accordance with agreements with the incorporating units and the holders of the bonds. In March 1988, the City and County agreed to a consent judgment whereby the County's equity in the ownership of a portion of the space in the Coleman A. Young Municipal Center was transferred to the City. As a result, the fixed asset costs are recorded within the City's government-wide financial statements.

The DWJBA is party to a lease agreement that extends to March 1, 2028 for rental of the Coleman A. Young Municipal Center to the City and the County. The lease provides that the DWJBA shall maintain and operate the building, the expenditures of which are to be reimbursed by the City and County on the basis of the building space allocations specified in the lease.

Complete financial statements of the DWJBA may be obtained by writing the DWJBA at the following address:

Detroit-Wayne Joint Building Authority
1316 Coleman A. Young Municipal Center (CAYMC)
Detroit, MI 48226

C. CHANGE IN REPORTING ENTITY

Effective July 1, 2003, in accordance with the Michigan Supreme Court determination that the Detroit Housing Commission (DHC) is legally separate from the City, the DHC is being reported as a discretely presented component unit in accordance with the provisions of Government Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*. In previous years, the DHC has been reported as a non-major proprietary fund of the City.

As a result of implementing this change, the beginning net assets have been restated as follows:

	Proprietary Funds	Component Units
Net Assets - Beginning of Year	\$ 1,590,760,874	\$ 359,302,139
Restatement	<u>(108,163,193)</u>	<u>108,163,193</u>
Net Assets - Beginning of Year, as Restated	<u><u>\$ 1,482,597,681</u></u>	<u><u>\$ 467,465,332</u></u>

D. BASIS OF PRESENTATION

The basic financial statements include both government-wide and fund financial statements.

1. Government-wide Financial Statements

The government-wide statement of net assets and statement of activities report the overall financial activity of the primary government (the City), excluding fiduciary activities, and its component units. Eliminations have been made to minimize the double-counting of internal activities of the City. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary fund types. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The following major funds are used by the City:

Governmental Funds:

- a. **General Fund** accounts for several of the City's primary services (Police, Fire, Public Works, Community and Youth Services, etc.) and is the primary operating unit of the City.

Proprietary Funds:

- a. **Sewage Disposal Fund** accounts for the operations of the wastewater treatment plant; sewers, including sanitary and combined sewers; combined sewer outfalls; and interceptors. The facility provides service to Detroit and 75 other communities in southeastern Michigan.
- b. **Transportation Fund** accounts for the City's mass transit system with a fleet of over 572 coaches. The fund operates three light repair garages and terminals.
- c. **Water Fund** accounts for the operations of 5 water treatment plants, 20 booster stations, and reservoirs. The fund provides service to Detroit and 125 other communities in southeastern Michigan.
- d. **Automobile Parking Fund** accounts for the activity of the City's Auto Parking and Arena System, but does not include parking fine revenues.

Fiduciary Fund Types

The City additionally reports the following pension and other employee benefit funds:

- a. **Retirement Systems** – accounts for contributions received, invested, and expended for the General Retirement System and the Policemen and Firemen Retirement System.
- b. **Employee Benefit Fund** – accounts for the health, dental, life insurance, and eye care of City employees and retirees.
- c. **Employee Disability Income Protection Plan** – accounts for long-term disability benefits of employees who become disabled and are not yet eligible for service requirements. The plan provides monthly income, hospitalization insurance, and life insurance.

Agency Funds

These funds account for assets that the City holds for others in an agency capacity

E. BASIS OF ACCOUNTING

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include income taxes, sales taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied. Revenue from self-assessed taxes, including income taxes and sales tax, is recognized in the fiscal year in which the underlying exchange transaction occurs. Revenue from grants, entitlements, and similar items is recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year, except for grants and trade receivables, which are 180 and 90 days, respectively. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Significant revenue sources which are susceptible to accrual include property taxes, income taxes, utility taxes, and interest. All other revenue sources are considered to be measurable and available only when cash is received.

Financial Accounting Standards Board (FASB) Statements and Interpretations, APB opinions and ARB'S of the Committee on Accounting Procedure issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City also has the option of following subsequent FASB guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent FASB guidance.

F. BUDGETARY DATA

Budgeting Policy:

The City's annual budget constitutes a financial plan for the next fiscal year, which is required to set forth estimated revenues from all sources and all appropriations. Proposed capital appropriations are included in separate sections of the budget. Any surplus or deficit during the preceding year is entered into the budget for the next fiscal year as either revenue (surplus) or appropriation (deficit), in accordance with the City Charter. The total of proposed expenditures cannot exceed the total of estimated revenues, so that the budget as submitted is a balanced budget. Budgets are prepared for all agencies of the City.

On or before April 12 each year, the Mayor submits to the City Council a proposed annual budget for the next fiscal year. A public hearing in the manner provided by law or ordinance is held on the proposed budget before adoption. After the public hearing, the City Council adopts the budget with or without amendment. Consideration of the budget is completed by the City Council no later than May 15. If the Mayor disapproves of amendments made by the City Council, the Mayor, within seven days, submits to the City Council in writing the reasons for the disapproval. The City Council proceeds to reconsider any budget item so disapproved. If, after reconsideration, a two-thirds majority of the City Council serving agrees to sustain any of the City Council's amendments to the budget, those amendments so sustained are of full force and effect. The City Council's reconsideration of the budget must be concluded within three business days after receipt of the Mayor's disapproval.

The adoption of the budget provides for: (1) appropriations of specific amounts from funds indicated, (2) a specific levy of property tax, and (3) provision for the issuance of bonds specified in the capital program. The budget as adopted becomes the basis for establishing revenues and expenditures for the fiscal year. The appropriations for the functions of each City department are fixed. Expenditures may not exceed the original appropriations without City Council approval. If during the fiscal year the Mayor advises the City Council that there are available appropriations and revenues in excess of those estimated in the budget, the City Council may make supplemental appropriations for the year up to the amount of the excess. In the case of estimated revenue shortfalls, the Mayor may request that the City Council decrease certain appropriations. In any case, the Mayor is under no obligation to spend an entire appropriation. Also, at any time during the fiscal year, the City Council, upon written request by the Mayor, may transfer all or part of any unencumbered appropriation balance among programs, services, or activities within an agency or from one agency to another.

G. ASSETS, LIABILITIES, AND FUND EQUITY

1. Cash and Investments: Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value based on quoted market prices.

2. Interfund Transactions:

The City has the following types of interfund transactions:

- a. **Loans** – amounts provided with a requirement for repayment. Interfund loans are reported as due from other funds in lender funds and due to other funds in borrower funds.
- b. **Services provided and used** – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

- c. **Reimbursements** – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.
 - d. **Transfers** – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after non-operating revenues and expenses.
3. **Inventories:** Cost of inventories of the governmental-type funds is recorded as expenditures at the time of purchase. Inventories at year-end for the General, Construction Code, Drug Law Enforcement Fund, and Major and Local Street funds are recorded in the balance sheet at cost or market, whichever is lower, based on a physical inventory, with a reserve for inventories in fund balance by the related fund. Inventories of the Enterprise Funds are stated at the lower of cost or market and expensed when used.
4. **Capital Assets:** Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Donated assets are recorded at fair market value as of the date received. The City's capitalization levels are \$5,000 on tangible personal property and for improvements other than buildings, and \$50,000 on infrastructure, including sewer and stormwater lines. All acquisitions of land and land improvements will be capitalized regardless of cost. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capitalized interest, net of related debt, for the year ended June 30, 2004 for the Sewage Disposal and Water Funds was \$50,451,250 and \$26,713,603 respectively. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement, and the resulting gain or loss is included in the operating statement of the related fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures, and changes in fund balances as proceeds from sale. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Land improvements	5 – 20
Buildings and building improvements	5 – 50
Improvements other than buildings	5 – 50
Machinery and equipment	5 – 20
Vehicles other than buses	3 – 10
Buses	12
Stormwater and wastewater lines	
and pump stations	10 – 65
Other infrastructure	7 – 60

The City has a collection of artwork presented both in buildings and public outdoor spaces. The true value of the art is expected to either be maintained or enhanced over time, and thus, the art is not depreciated. If individual pieces are lost or destroyed, the loss is recorded.

5. **Bond Premiums, Discounts, and Issuance Costs:** In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and gains (losses) on defeasance. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums or discounts and gains or losses on defeasance, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. **Encumbrances:** Encumbrances outstanding for governmental funds at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. All governmental fund budgets are maintained on the modified accrual basis of accounting, except that budgetary-basis expenditures include purchase orders and contracts (encumbrances) issued for goods or services not received at year-end.
7. **Compensated Absences:** For funds other than the Transportation Fund, unused vacation pay and banked overtime accumulate up to a maximum level until termination of employment, while there is no vesting of sick pay until an employee reaches age 60 or completes 25 years of service. Furlough time is awarded to uniformed police and fire employees at the beginning of two semi-annual periods. Any unused furlough time remaining at the end of each semi-annual period is forfeited. For the Transportation Fund, unused vacation pay accumulates for each employee up to a maximum level. Once this level is attained, unused vacation must be used or the employee loses a portion of the vacation pay.

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated vacation and sick leave balances. A liability for these amounts is reported in governmental funds only if they have matured.

8. **Property Taxes:** The Constitution of the State of Michigan limits the proportion of true cash value at which real property can be uniformly assessed to 50%. The Michigan Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government are responsible for actually assessing at 50% of true cash value, the final State equalized assessment against which local property tax rates are applied is derived through several steps. County equalization is brought about by adjustments of the various local unit assessment ratios to the same level; then the State equalizes the various counties in relation to each other. State equalized values are important; aside from their use for local property tax levy purposes, because of their role in distribution of State school aid and in the calculation of debt limits. The only major items of personal property subject to property taxation in the City are commercial and industrial furniture, fixtures, and equipment. Though comprehensive authority is granted by the State to Michigan municipalities for governmental purposes, the Constitution and general laws of the State limit the municipal rate of taxation and restrict the amount of debt a municipality may incur. At the present time, the general ad valorem taxing power of the City is generally limited by State law and the City Charter to 20 mills. The City is levying at its current maximum rate limit. In addition, the City is authorized to levy additional taxes within specified amounts for specific purposes under specific legislation. At the present time, under such an authorization, the City is levying 3 additional mills for the purpose of garbage and rubbish collection. These millage limitations, however, do not apply to taxes levied by the City for payment of principal and interest on presently outstanding unlimited tax-supported bonds, nor do they apply to payment of principal and interest on tax-supported bonds issued in anticipation of presently outstanding contractual obligations of the City or presently outstanding assessments in the City.

The City's property tax is levied each July 1 of the fiscal year and is payable without penalty either on or before August 31 in full, or one-half on or before August 15, with the balance then being payable on or before the following January 15. Property taxes attach as a lien on the property as of July 1 of the year of levy. Property owners may appeal their assessments to the local Board of Review and ultimately to the Michigan Tax Tribunal.

In the government-wide financial statements, property tax revenue is recorded in the period in which the tax is levied. In the governmental fund financial statements, the City records property tax revenue when available. Available is defined as due and receivable within the current fiscal year and collected within the current fiscal year or expected to be collected within 60 days thereafter.

9. **Municipal Income Taxes:** The City levies an annual income tax. The rate for the calendar year 2004 consists of an annualized tax of 2.50% on the income of resident individuals, 1.25% on income earned in the City by

non-residents and for corporations, the annual rate for 2004 is 1.0%. These rates are being lowered over a 10-year period starting July 1, 1999. The resident rate will decrease by 1/10 of a percentage point, the non-resident rate by 1/20 of a percentage point, and the corporate rate by 2/10 of a percentage point over the same period. After the 10-year period, the calendar 2009 resident rate will be 2%, the non-resident rate will be 1%, and the corporate rate will be zero. However, due to current economic conditions there was a temporary rate freeze of the tax rates for the calendar year 2004. The rates were as follows: Residents 2.5%, Non-Residents 1.25% and Corporations 1%. The City has re-applied for, and received, approval for the rate freeze to remain in effect for calendar year 2005. Municipal income taxes are accrued for income tax withholdings collected by employers but not yet remitted to the City. In the government-wide financial statements, income tax revenue is recorded in the period in which the underlying compensation is earned by the taxpayer. In the governmental fund financial statements, the City records municipal income tax revenues when they become available. Available is defined as due and receivable within the current fiscal year or expected to be collected within 60 days thereafter. Estimated refunds for income tax returns received and in process, in which payment has not been made, are recorded as a reduction of revenues. Income tax assessment receivable represents estimated additional taxes assessed as a result of tax return audits or failure to file a return.

- 10. Fund Balances:** In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. Designations of fund balances represent tentative City plans that are subject to change.
- 11. Net Assets:** The government-wide and business-type financial statements utilize a net asset presentation. Net assets are categorized as follows:
- a. **Invested in Capital Assets (Net of Related Debt)** – consists of capital assets, net of accumulated depreciation. The outstanding balances of bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets would further reduce this component. If there were significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds would be offset by the outstanding debt.
 - b. **Restricted Assets** – consist of constraints placed on net asset use through external constraints imposed by grantors, contributors, or laws. When both restricted and unrestricted resources are available, generally it is the City's policy to use restricted resources first, and then unrestricted resources, when they are needed.
 - c. **Unrestricted Assets** – Consist of net assets that do not meet the definition of "Restricted" or "Invested in Capital Assets, net of related debt".
- 12. Use of Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- 13. New Accounting Pronouncements:** In March 2003, the Governmental Accounting Standards Board (GASB) issued Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. This statement will revise the deposit and investment risk disclosed in the notes to the financial statements. The City will implement Statement No. 40 beginning with the year ended June 30, 2005.

In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes accounting and financial reporting standards for impairment of capital assets. The City will implement Statement No. 42 beginning with the year ended June 30, 2006. The City is currently evaluating the impact of adopting Statement No. 42.

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes accounting and financial reporting standards for employers that participate in a defined benefit "other postemployment benefit" (OPEB) plan. Specifically, the City will be required to measure and disclose an amount for annual OPEB cost on the accrual basis for health and insurance benefits that will be provided to retired City employees in future years. The City is also required to record a net OPEB obligation which is defined as the cumulative difference between annual OPEB cost and the employers contributions to a plan., including the OPEB liability or asset at transition, if any. The City is currently evaluating the impact that this standard will have on the financial statements when adopted. The City will implement Statement No. 45 beginning with the year ended June 30, 2008.

NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. COMPLIANCE WITH FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The City has no material violations of finance-related legal and contractual provisions.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

For the year ended June 30, 2004, expenditures exceeded appropriations in the General Fund for the Arts Department by \$569 and Historical Department by \$73,863.

C. DEFICIT FUND EQUITY

The Detroit Building Authority (DBA) (a Non-Major Governmental Fund) had deficit fund equity of \$367,767.

General Fund had an unreserved deficit of \$95,032,523. The Construction Code Fund (a Non-Major Governmental Fund) had an unreserved deficit of \$112,106. Transportation Fund and Automobile Parking Fund, (both enterprise funds), had unrestricted deficits of \$13,954,723 and \$6,439,078 respectively at June 30, 2004. Each fund has a deficit reduction plan, which includes, among other things, changes in the level of services provided, and additional subsidies from the General Fund.

NOTE III. DETAILED NOTES ON ALL FUNDS

A. ASSETS

- 1. Deposits and Investments:** Cash deposits are in financial institutions insured as members of the FDIC or NCUA. Cash held by fiscal agents or by trustees is secured in accordance with the covenants of the agency or trust agreement. Cash deposits related to federally funded programs are accounted for in accordance with applicable federal regulations. At June 30, 2004, the City's carrying amount of deposits was \$180,393,006 for governmental and business-type activities, and the bank balance was \$106,251,296. Of the bank balance, \$6,639,753 was covered by federal depository insurance. The remaining balances are not insured. At June 30, 2004, the fiduciary fund's carrying amount of deposits was \$10,370,995 and the bank balance was \$7,525,402. Of the bank balance, \$431,768 was covered by federal depository insurance. The remaining balances are not insured. At June 30, 2004, the component units' carrying amount of deposits was \$81,028,158 and the bank balance was \$37,141,992. Of the bank balance, \$1,279,206 was covered by federal depository insurance. The remaining balances are not insured.

	<u>Governmental</u>	<u>Business-type</u>	<u>Fiduciary</u>		<u>Component</u>
	<u>Activities</u>	<u>Activities</u>	<u>Funds</u>	<u>Total</u>	<u>Units</u>
Deposits	\$ 118,727,877	\$ 61,665,129	\$ 10,370,995	\$ 190,764,001	\$ 81,028,158
Investments	343,099,330	999,144,577	5,689,909,137	7,032,153,044	961,516,885
Total	<u>\$ 461,827,207</u>	<u>\$ 1,060,809,706</u>	<u>\$ 5,700,280,132</u>	<u>\$ 7,222,917,045</u>	<u>\$ 1,042,545,043</u>

The City is authorized to invest in U.S. Government obligations, certificates of deposit, savings and depository accounts of insured institutions, commercial paper of certain investment qualify, bankers' acceptances, repurchase agreements, and mutual funds of certain investment qualify. In accordance with GASB Statement No. 3, the City's investments have been categorized to indicate the level of credit risk assumed by the City as follows: (1) insured or registered for which the securities are held by the City (or component unit as applicable) or its agent in the City's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the City's (or component unit's) name, or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the City's name. Pooled investments are not subject to categorization because they are not securities. The relationship between the City and the investment agent is a direct contractual relationship, and the investments are not supported by a transferable instrument that evidences ownership or creditor ship.

The following are the City's investment balances at fair market value at June 30, 2004:

Primary Government					
	Governmental	Business-type	Fiduciary		
	Activities	Activities	Funds	Total	Category
Repurchase Agreements	\$ 1,000,000	\$ 88,254,160	\$ —	\$ 89,254,160	1
Certificate of Deposit	19,567,227	2,000,000	—	21,567,227	1
Commercial Paper	—	—	4,964,125	4,964,125	1
U.S. Government Securities	34,329,049	184,948,145	75,727	219,352,921	1
Bonds, Notes, and Stocks	98,560,000	—	4,133,187,361	4,231,747,361	1
Pooled Investments	189,643,054	548,990,407	505,321,620	1,243,955,081	N/A
Treasury Coupon Securities	—	174,951,865	—	174,951,865	1
Short-term Investments	—	—	153,642,872	153,642,872	1
Mortgage-backed Securities	—	—	395,680,856	395,680,856	2
Equity Interest in Real Estate	—	—	166,362,111	166,362,111	N/A
Real Estate Investment Trusts	—	—	28,522,443	28,522,443	2
Private Placements	—	—	302,152,022	302,152,022	2
Total	\$ 343,099,330	\$ 999,144,577	\$ 5,689,909,137	\$ 7,032,153,044	

Component		
	Units	Category
Repurchase Agreements	\$ 7,892,370	1
Certificates of Deposit	284,219	1
Commercial Paper	10,974,377	2
U.S. Government Securities	129,057,328	1
U.S. Government Securities	30,533,370	2
Bonds, Notes, and Stocks	37,720	1
Pooled Investments	10,373,751	N/A
Short-term Investments	772,363,750	1
Total	\$ 961,516,885	

- 2. Other Receivables:** Other receivables in the statement of net assets for governmental activities are shown in the aggregate. The following details the other receivable balance at June 30, 2004

	<u>General</u>	<u>Other Governmental</u>	<u>Total</u>
Estimated Withheld Income			
Tax Receivable	\$ 26,684,072	\$ —	\$ 26,684,072
Trade Receivables	27,026,133	860,766	27,886,899
Land Contracts Receivable	6,224,469	—	6,224,469
Property Taxes	15,803,134	5,730,160	21,533,294
Income Taxes	40,250,167	—	40,250,167
Special Assessments	1,370,579	335,844	1,706,423
Interest and Penalties	5,530,000	2,000,000	7,530,000
Utility Users Tax	1,267,347	—	1,267,347
Due from Fiduciary Funds	4,495,129	—	4,495,129
Allowance for Doubtful Accounts	<u>(75,446,071)</u>	<u>(452,744)</u>	<u>(75,898,815)</u>
 Total Other Receivables, Net	 <u>\$ 53,204,959</u>	 <u>\$ 8,474,026</u>	 <u>\$ 61,678,985</u>

- 3. Due from/to Other Governmental Agencies:** Due from/to other governmental agencies consists primarily of sales and charges for services to/from the County, the State of Michigan, and the Federal Government.
- 4. Interfund Receivables and Payables:** During the course of operations, numerous transactions occur between the City funds for goods provided and services rendered and for the reimbursement of expenditures. Related interfund receivables and payables are classified as “due from other funds” (due from fiduciary funds) and “due to other funds” (due to fiduciary funds) on the balance sheet and statement of net assets and are expected to be collected within one year. Interfund receivables and payables at June 30, 2004 are as follows:

	<u>Due From</u>								
	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Sewage Disposal Fund</u>	<u>Transportation Fund</u>	<u>Water Fund</u>	<u>Auto Parking Fund</u>	<u>Non-major Proprietary Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Due to:									
General Fund	\$ —	\$ 14,830,630	\$ 4,520,079	\$ 14,447,670	\$ 8,933,277	\$ 1,006,415	\$ 210,403	\$ 4,495,129	\$ 48,443,603
Non-major Governmental Funds	4,089,404	3,539,586	—	639,772	524,520	25,961	280,195	—	9,099,438
Water Fund	16,747,072	—	32,324,923	—	—	—	—	—	49,071,995
Transportation Fund	172,405	64,000	—	—	—	—	—	—	236,405
Sewage Disposal Fund	15,018,930	315,381	—	262,813	45,505,580	—	—	—	61,102,704
Automobile Parking Fund	756,257	23,209	—	—	—	—	132	—	779,598
Non-major Proprietary Funds	1,037,750	—	—	—	—	—	—	—	1,037,750
Fiduciary Funds	<u>76,510,398</u>	<u>—</u>	<u>3,037,250</u>	<u>4,367,232</u>	<u>1,580,632</u>	<u>467,162</u>	<u>19,518</u>	<u>—</u>	<u>85,982,192</u>
Total	<u>\$ 114,332,216</u>	<u>\$ 18,772,806</u>	<u>\$ 39,882,252</u>	<u>\$ 19,717,487</u>	<u>\$ 56,544,009</u>	<u>\$ 1,499,538</u>	<u>\$ 510,248</u>	<u>\$ 4,495,129</u>	<u>\$ 255,753,685</u>

5. **Advances:** Advances represent interfund receivables and payables that will not be paid within one year. Advances between funds at June 30, 2004 are as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General	\$ 3,557,000	Detroit Workforce Development Department (Non-Major Governmental Fund)	\$ 147,000
		Capital Projects Fund (Non Major Governmental Fund)	850,000
		Automobile Parking Funds	2,560,000
			<u>\$ 3,557,000</u>

6. **Transfers:** During the course of operations transactions occur between the City funds for operating subsidies. Related interfund receipts and disbursements are classified as “transfers in” and “transfers out” on the statement of revenues, expenditures/expenses, and changes in fund balance/net assets. The transfers are routine and consistent with the activities of the funds. Transfers between funds at June 30, 2004 are as follows:

<u>Transfers In</u>					
	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Transportation Fund</u>	<u>Non-major Proprietary Funds</u>	<u>Total</u>
<u>Transfers Out</u>					
General Fund	\$ —	\$ 61,275,398	\$ 74,318,857	\$ 2,789,179	\$ 138,383,434
Non-Major Governmental Funds	<u>31,638,974</u>	<u>69,769,170</u>	<u>—</u>	<u>—</u>	<u>101,408,144</u>
Total	<u>\$ 31,638,974</u>	<u>\$ 131,044,568</u>	<u>\$ 74,318,857</u>	<u>\$ 2,789,179</u>	<u>\$ 239,791,578</u>

The General Fund transferred \$138,383,434 to other funds. The largest transfer was made to the Transportation Fund for \$74.3 million to maintain bus operations. The General Fund also transferred \$51.3 million to the Debt Service Fund for principal and interest payments.

The Non-Major Governmental Funds transferred \$101,408,144 to other funds. The Capital Projects Fund transferred \$36.9 million to the Debt Service Fund to be reserved for the Cobo Hall debt service payments. The Major and Local Street Fund transferred 31.3 million to the General Fund to reimburse General Fund for street construction costs.

7. Capital Asset Activity for the Year Ended June 30, 2004:

	Primary Government		
	Beginning Balance	Additions	Ending Balance
Governmental Activities:			
Non-Depreciable Assets:			
Land	\$ 314,539,283	\$ 40,972,291	\$ -
Works of Arts	29,845,410	-	(57,277)
Construction in Progress	<u>250,633,701</u>	<u>54,424,883</u>	<u>(151,951,627)</u>
Total Non-Depreciable Assets	<u>595,018,394</u>	<u>95,397,174</u>	<u>538,406,664</u>
Depreciable Assets:			
Buildings and Improvements	559,034,156	139,126,810	-
Machinery and Equipment	361,521,380	29,483,501	(13,155,962)
Infrastructure	<u>725,857,460</u>	<u>41,479,457</u>	<u>-</u>
Total Depreciable Assets	<u>1,646,412,996</u>	<u>210,089,768</u>	<u>(13,155,962)</u>
Less Accumulated Depreciation for :			
Buildings and Improvements	232,144,970	31,180,429	-
Machinery and Equipment	287,457,105	22,748,545	(12,761,489)
Infrastructure	<u>605,313,699</u>	<u>21,620,402</u>	<u>-</u>
Total Accumulated Depreciation	<u>1,124,915,774</u>	<u>75,549,376</u>	<u>(12,761,489)</u>
Governmental Activities			
Capital Assets, Net	<u>\$ 1,116,515,616</u>	<u>\$ 229,937,566</u>	<u>\$ (152,403,377)</u>

Depreciation Expense was charged to the Governmental functions as follows:

Public Protection	\$ 14,380,171
Health	300,252
Education	75,945
Recreation and Culture	8,379,106
Economic Development	6,408,025
Housing Supply and Condition	40,131
Physical Environment	34,964,239
Development and Management	<u>11,001,507</u>
Total:	<u>\$ 75,549,376</u>

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

Business-type Activities:

Major Funds:	Beginning Balance	Increase	Decrease	Ending Balance
Sewage Disposal Fund:				
Non-Depreciable Assets:				
Land and Land Rights	\$ 13,825,671	\$ 51,080	\$ -	\$ 13,876,751
Construction in Progress	887,576,854	399,832,718	(83,671,494)	1,203,738,078
Total Non-Depreciable Assets	901,402,525	399,883,798	(83,671,494)	1,217,614,829
Depreciable Assets:				
Buildings and Structures	805,223,844	291,326,004	(205,060,993)	891,488,855
Sewer Lines	536,209,238	207,094,417	(210,847,905)	532,455,750
Machinery, Equipment and Fixtures	573,013,498	174,279,862	(175,197,989)	572,095,371
Total Depreciable Assets	1,914,446,580	672,700,283	(591,106,887)	1,996,039,976
Total Capital Assets	2,815,849,105	1,072,584,081	(674,778,381)	3,213,654,805
Less Accumulated Depreciation:				
Buildings and Structures	204,774,326	25,581,388	(2,476,901)	227,878,813
Sewer Lines	90,595,281	6,471,400	(788,490)	96,278,191
Machinery, Equipment and Fixtures	294,062,135	29,736,930	(10,385,034)	313,414,031
Total Accumulated Depreciation	589,431,742	61,789,718	(13,650,425)	637,571,035
Net Capital Assets	\$ 2,226,417,363	\$ 1,010,794,363	\$ (661,127,956)	\$ 2,576,083,770
Transportation Fund:				
Non-Depreciable Assets:				
Land and Land Rights	\$ 4,114,574	\$ -	\$ -	\$ 4,114,574
Construction in Progress	15,075,092	3,540,006	(13,915,222)	4,699,876
Total Non-Depreciable Assets	19,189,666	3,540,006	(13,915,222)	8,814,450
Depreciable Assets:				
Buildings and Structures	65,487,188	11,275	-	65,498,463
Machinery, Equipment and Fixtures	32,603,653	15,885,987	-	48,489,640
Vehicle and Buses	126,064,318	23,911,071	(1,004,840)	148,970,549
Total Depreciable Assets	224,155,159	39,808,333	(1,004,840)	262,958,652
Total Capital Assets	243,344,825	43,348,339	(14,920,062)	271,773,102
Less Accumulated Depreciation:				
Buildings and Structures	44,727,463	1,036,711	-	45,764,174
Machinery, Equipment and Fixtures	26,192,166	2,648,694	-	28,840,860
Vehicle and Buses	56,974,971	10,711,896	(1,004,840)	66,682,027
Total Accumulated Depreciation	127,894,600	14,397,301	(1,004,840)	141,287,061
Net Capital Assets	\$ 115,450,225	\$ 28,951,038	\$ (13,915,222)	\$ 130,486,041

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

Business-type Activities (continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Water Fund:				
Non-Depreciable Assets:				
Land and Land Rights	\$ 6,358,342	\$ 169,096	\$ -	\$ 6,527,438
Construction in Progress	608,364,217	157,981,415	(86,600,245)	679,745,387
Total Non-Depreciable Assets	614,722,559	158,150,511	(86,600,245)	686,272,825
Depreciable Assets:				
Land Improvements	91,118,140	5,993,232	(277,215)	96,834,157
Buildings and Structures	431,915,880	178,585,147	(157,094,875)	453,406,152
Water lines	672,467,862	96,046,142	(79,456,457)	689,057,547
Machinery, Equipment and Fixtures	432,868,661	159,833,248	(99,919,419)	492,782,490
Total Depreciable Assets	1,628,370,543	440,457,769	(336,747,966)	1,732,080,346
Total Capital Assets	2,243,093,102	598,608,280	(423,348,211)	2,418,353,171
Less Accumulated Depreciation:				
Land Improvements	53,634,642	1,946,527	(6,901)	55,574,268
Buildings and Structures	164,802,582	8,207,491	(681,968)	172,328,105
Water Lines	236,142,033	10,435,804	(473,704)	246,104,133
Machinery, Equipment and Fixtures	155,388,494	23,331,360	(5,073,615)	173,646,239
Total Accumulated Depreciation	609,967,751	43,921,182	(6,236,188)	647,652,745
Net Capital Assets	\$ 1,633,125,351	\$ 554,687,098	\$ (417,112,023)	\$ 1,770,700,426
Automobile Parking Fund:				
Non-Depreciable Assets:				
Land and Land Rights	\$ 7,014,114	\$ -	\$ -	\$ 7,014,114
Construction in Progress	52,191,196	868,734	(47,201,874)	5,858,056
Total Non-Depreciable Assets	59,205,310	868,734	(47,201,874)	12,872,170
Depreciable Assets:				
Land Improvements	214,908	-	-	214,908
Buildings and Structures	152,122,469	46,966,383	-	199,088,852
Machinery, Equipment and Fixtures	2,251,164	88,791	-	2,339,955
Total Depreciable Assets	154,588,541	47,055,174	-	201,643,715
Total Capital Assets	213,793,851	47,923,908	(47,201,874)	214,515,885
Less Accumulated Depreciation:				
Land Improvements	155,623	10,745	-	166,368
Buildings and Structures	100,531,940	5,446,696	-	105,978,636
Machinery, Equipment and Fixtures	1,626,554	129,087	-	1,755,641
Total Accumulated Depreciation	102,314,117	5,586,528	-	107,900,645
Net Capital Assets	\$ 111,479,734	\$ 42,337,380	\$ (47,201,874)	\$ 106,615,240

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

Business-type Activities (continued)	Beginning Balance, As Restated	Increase	Decrease	Ending Balance
Non-major Funds:				
Non-Depreciable Assets:				
Land and Land Rights	\$ 5,169,374	\$ -	\$ -	\$ 5,169,374
Total Non-Depreciable Assets	<u>5,169,374</u>	<u>-</u>	<u>-</u>	<u>5,169,374</u>
Depreciable Assets:				
Land Improvements	8,020,719	-	-	8,020,719
Buildings and Structures	5,272,287	-	-	5,272,287
Machinery, Equipment and Fixtures	1,703,438	25,878	-	1,729,316
Vehicle and Buses	<u>1,047,009</u>	<u>435,106</u>	<u>-</u>	<u>1,482,115</u>
Total Depreciable Assets	<u>16,043,453</u>	<u>460,984</u>	<u>-</u>	<u>16,504,437</u>
Total Capital Assets	<u>21,212,827</u>	<u>460,984</u>	<u>-</u>	<u>21,673,811</u>
Less Accumulated Depreciation:				
Land Improvements	5,557,376	401,035	-	5,958,411
Buildings and Structures	4,026,473	51,668	-	4,078,141
Machinery, Equipment and Fixtures	1,348,032	89,624	-	1,437,656
Vehicle and Buses	<u>551,180</u>	<u>79,374</u>	<u>-</u>	<u>630,554</u>
Total Accumulated Depreciation	<u>11,483,061</u>	<u>621,701</u>	<u>-</u>	<u>12,104,762</u>
Net Capital Assets	<u>\$ 9,729,766</u>	<u>\$ (160,717)</u>	<u>\$ -</u>	<u>\$ 9,569,049</u>

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

Component Units

	Beginning Balance, As Restated	Additions	Retirements	Ending Balance
School District of the City of Detroit:				
Non-Depreciable Assets:				
Land and Land Rights	\$ 16,029,722	\$ 39,408,081	\$ (10,200)	\$ 55,427,603
Construction in Progress	621,331,015	267,391,543	(456,222,486)	432,500,072
Total Non-Depreciable Assets	637,360,737	306,799,624	(456,232,686)	487,927,675
Depreciable:				
Buildings and Structures	735,829,867	275,012,269	(1,079,831)	1,009,762,305
Land Improvements	25,932,533	37,587,411	(113,265)	63,406,679
Buses and Other Vehicles	41,885,339	1,428,099	—	43,313,438
Machinery, Equipment, and Fixtures	53,633,799	112,491,220	(61,387)	166,063,632
Total Depreciable Assets	857,281,538	426,518,999	(1,254,483)	1,282,546,054
Total Capital Assets	1,494,642,275	733,318,623	(457,487,169)	1,770,473,729
Less Accumulated Depreciation:				
Building and Structures	325,284,364	15,133,199	(1,039,569)	339,377,994
Land Improvements	9,050,585	1,877,300	(8,993)	10,918,892
Buses and Other Vehicles	24,108,917	3,063,182	—	27,172,099
Machinery, Equipment, and Fixtures	22,912,305	15,024,835	25,886	37,963,026
Total Accumulated Depreciation	381,356,171	35,098,516	(1,022,676)	415,432,011
Net Capital Assets	\$ 1,113,286,104	\$ 698,220,107	\$ (456,464,493)	\$ 1,355,041,718
Other Component Units:				
Non-Depreciable Assets:				
Land and Land Rights	\$ 7,789,061	\$ 30,242,952	\$ —	\$ 38,032,013
Works of Art	3,216,175	—	—	3,216,175
Construction in Progress	7,159,936	23,942,191	(1,594,751)	29,507,376
Total Non-Depreciable Assets	18,165,172	54,185,143	(1,594,751)	70,755,564
Depreciable:				
Land and Leasehold Improvements	188,444	—	—	188,444
Buildings and Structures	77,881,501	159,405,404	(941,614)	236,345,291
Facility and Steamline	513,008,682	614,615	—	513,623,297
Works of Art	18,745,260	10,276,083	—	29,021,343
Machinery, Equipment and Fixtures	118,157,367	152,958,668	—	271,116,035
Vehicles and Buses	383,024	—	—	383,024
Total Depreciable Assets	728,364,278	323,254,770	(941,614)	1,050,677,434
Total Capital Assets	746,529,450	377,439,913	(2,536,365)	1,121,432,998
Less Accumulated Depreciation	368,550,253	146,285,747	—	514,836,000
Net Capital Assets	\$ 377,979,197	\$ 231,154,166	\$ (2,536,365)	\$ 606,596,998

8. **Deferred Revenue:** Deferred revenue represents revenue received, but for which the revenue recognition criteria have not been met. Accordingly, these revenues are deferred until such time as the revenue recognition criteria are met.
9. **Due from/to Component Units:** Due from/to component units consists of sales, charges for services, and property tax revenue to the District, DPL, EDC, and DTC.

B. LIABILITIES

1. Commitments and Contingencies

- a. **Lawsuits and Claims:** The City is a defendant in numerous lawsuits and is also subject to other claims. It has been the City's experience that lawsuits and claims are settled for amounts less than the stated demand. While it is not possible to determine the final outcome of these lawsuits and claims exactly, the City and its Legal Department have estimated that the liability for all such litigation and claims approximates \$121.9 million for governmental activities.
- b. **Grant Audits:** Several of the City's funds participate in a number of federally assisted grant programs, principal of which are the Community Development Block Grant, Low Income Housing Subsidies, Head Start, Job Training Partnership Act, DDS Work First/Edge, and Substance Abuse Programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs prior to and/or including the year ended June 30, 2004 have not been conducted and/or completed. Accordingly, the funds' compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined as of June 30, 2004. Since the City believes such adjustments, if any, will not be material, no provision for possible adjustments has been made.
- c. **Detroit Housing Commission Grant Audits:** Effective July 1, 2003, the City of Detroit changed its presentation of the Detroit Housing Commission (DHC) to a discretely presented component unit of the City. The DHC received a qualified opinion on their June 30, 2004 financial statements. Their opinion was qualified based on several issues including the following:
- 1) The DHC has contingent liabilities to the Department of Urban Development (HUD), which are not recorded on the DHC's financial statements. In April of 2003, HUD issued a Management Review of the Detroit Housing Commission. This report outlined questioned costs and unsupported expenses amounting to \$14,236,946. These amounts are summarized below:

<u>Grant Name</u>	<u>Amount</u>
Low Income Housing Grant	\$ 5,722,600
PHDEP	5,359,891
Capital Projects Grant	4,577,932
Total	15,660,423
Less: Amount not drawn down from HUD	(1,423,477)
	<u>\$ 14,236,946</u>

2) On May 16, 2001, the HUD Office of the Inspector General issued an Audit report concerning the HOPE VI Program. The report outlined \$18,291,476 in questioned costs due to HUD. Due to on-going negotiations, the balance of this liability is \$6,480,057 at June 30, 2004. This amount is included as a non-current liability in the DHC's financial statements at June 30, 2004. These liabilities were incurred while the DHC was reported as a department of the City; therefore, both of the contested amounts of \$14,236,946 and \$6,480,057 have been recorded in the City's government-wide financial statements.

d. Rate Matters: The Sewage Disposal Fund is a party to certain challenges and disputes related to its wastewater treatment rates by various groups and governmental entities. The challenges address the reasonableness of the overall revenue requirement to be attained, certain cost allocation methods, and ultimate amounts billed. Settlement discussions are ongoing and the ultimate resolution is not currently known.

e. Block Grant Funds: Several revitalization projects in the City have used a combination of financing from governmental and private sources. One of the sources of governmental financing has been Section 108 loan notes from the Federal Government.

As of June 30, 2004, future Block Grant Funds of \$22,523,000 were pledged as collateral for the amounts owed to the Federal Government under Section 108 of the Housing and Community Development Act of 1974, as amended. In addition, the City was previously authorized to use Block Grant Funds totaling \$66,962,000 for the Central Industrial Park Project. At June 30, 2004, \$2,807,435 is outstanding against this advance.

f. Greater Detroit Resource Recovery Authority (Authority): In 1991, the Authority sold its waste-to-energy facility to private investors in a sale-leaseback transaction for \$634.9 million. The purchase price was paid with \$127 million in cash, mortgage notes of \$342.7 million, and future assumption of revenue bonds payable in the amount of \$165.2 million. The purchasers agreed to lease the facility to an outside contractor for an initial lease term of 18 years. The outside contractor will continue to operate the facility under a supplemental operating agreement with the Authority, which results in the Authority assuming most of the lease obligations. Upon expiration of the initial lease term, the Authority has options to renew the lease or to repurchase the facility. The City, under the supplemental service contract, has agreed to pay supplemental tipping fees to the Authority sufficient to, among other things, meet these obligations. The lease payments approximate the amortization of the mortgage notes. The cash proceeds from the sale of the facility will be reported as a finance obligation until the Authority's repurchase option is exercised or expires, at which time the gain on the sale will be recognized. Additionally, in 1991 the Authority distributed \$54 million of the cash proceeds to the City, which was reflected as a reduction of the Authority's equity.

Future minimum lease payments for each of the next five years for the initial lease term are as follows: 2005 – \$59,297,765; 2006 – \$51,419,062; 2007 – \$52,521,466; 2008 – \$ 34,719,333 and 2009 – \$34,719,333.

g. Other Contingencies: The General Fund has a contingent liability for the obligations of all other City funds should such funds be unable to generate sufficient funds to liquidate their liabilities. In particular, the Airport, Detroit Transportation Corporation, and Transportation Fund have received varying levels of subsidy from the General Fund to fund operating requirements.

h. Construction Commitment: The City has commitments for future construction contracts. Construction in progress and remaining commitments at June 30, 2004 are as follows:

	Spent to June 30, 2004	Remaining
Public protection	\$ 43,352,986	\$ 226,635
Municipal facilities	29,355,400	7,264,435
Cultural and recreational	77,354,682	30,866,727
Human services	1,288,329	884,201
Municipal services	<u>1,755,560</u>	<u>9,319,977</u>
	<u>\$ 153,106,957</u>	<u>\$ 48,561,975</u>

- i. **Risk Management:** The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. During fiscal 1995, the City issued \$100 million of Self-insurance Bonds, and a portion of proceeds were used to reimburse the General Fund for all of its fiscal 1995 legal judgments and workers' compensation claim payments (\$41.0 million). The bonds require that remaining funds be used for self-insurance activities. Self-insured among other covered losses are liabilities for workers' compensation, legal, and disability benefits. The City currently reports the risk management activities of non-Enterprise Funds and DDOT in its General Fund. Each fund pays insurance premiums to the General Fund based on past claims activities. Amounts remaining related to self-insurance have been restricted. Because DDOT is included in the General Fund's risk management activities, it does not record a liability in its financial statements.

Risk management activities for the other Enterprise Funds are recorded and reported separately in those funds. The Library, a discretely presented component unit, reimburses the City for all costs incurred related to workers compensation. The Library records the liability in its financial statements.

At June 30, 2004, the amount of the workers' compensation, legal claims and judgments, and disability benefits was estimated at \$187.3 million for the primary government. The City has recognized a liability that approximated \$8.8 million in the General Fund as of June 30, 2004 for public liability and workers compensation claims that were due as of year-end. All other claims liabilities are considered to be long-term liabilities and are recognized in the government-wide financial statements. This liability is the City's best estimate based on available information. Changes in the reported liability for the years ended June 30, 2004 and 2003 were as follows:

	(In Millions) June 30, 2004	June 30, 2003
Balance at Beginning of Year	\$ 178.8	\$ 203.9
Current Year Claims and Changes in Estimates	117.7	61.0
Claims Payments	<u>(109.2)</u>	<u>(86.1)</u>
Balance at End of Year	<u>\$ 187.3</u>	<u>\$ 178.8</u>

Claims, expenditures, and liabilities are reported in accordance with GASB No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* (as amended by GASB No. 17), when it is probable that an asset has been impaired or a liability has been incurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

As a result of the issuance of the Self-insurance Bonds and the operations of the Self-insurance Reserve Fund, at June 30, 2004 the General Fund has reserved \$35.9 million for the purpose of funding the City's future claims liabilities.

2. **Other Commitments:** The City has entered into various noncancelable operating leases for various equipment. The commitments under such lease agreements provide for minimum annual rental payments as follows:

Fiscal Year Ending:	
2005	\$ 14,080,982
2006	12,820,755
2007	7,940,355
2008	2,548,570
2009	5,620,877
2010	4,513,420
Total Minimum Payments	\$ <u>47,524,959</u>

Rental expense for all operating leases approximated \$30.5 million for the year ended June 30, 2004.

3. **Long-term Obligations:** Long-term obligations are reported by the City as general long-term obligations if the obligation is to be repaid from Governmental Fund resources, or as long-term obligations – Enterprise Funds if the obligation is to be repaid from funds other than Governmental Fund resources. Interest rates range from 2.42% to 7.97% for governmental activities, 2% to 7.75% for business-type activities and 2.90% to 9.375% for component units.

The Michigan Constitution established the authority, subject to constitutional and statutory prohibition, for municipalities to incur debt for public purposes. The City is subject to the Home Rule Act, Act 279 Public Acts of Michigan, 1909, as amended, which limits the net indebtedness incurred for all public purposes to as much as, but not to exceed, the greater of the following: (a) 10% of the assessed value of all the real and personal property in the City, or (b) 15% of the assessed value of all the real and personal property in the City if that portion of the total amount of indebtedness incurred which exceeds 10% is, or has been, used solely for the construction or renovation of hospital facilities.

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage.

4. **Debt Issuances and Refunding Bonds**

Governmental Activities:

In September 2003, the City issued \$35,603,138 of Convention Facility Special Tax Revenue and Revenue Refunding Bonds for improvements to Cobo Hall and \$55,280,000 to refund series 1993 Bonds. The bonds mature beginning on September 30, 2004, with an average yield of 3.8%.

In September 2003, the City issued \$70,025,000 of Self-Insurance Bonds Limited Tax to fund the payment of claims and \$28,870,000 to refund outstanding self-insurance bonds. The bonds mature beginning June 30, 2006, with an average yield of 4.59%.

In October 2003, the City issued \$44,020,000 of GO. Unlimited Tax Bonds for capital improvements to various General City Agencies. Additionally \$10,770,000 of refunding bonds were issued to refund Series 1993 Distributable State Aid Bonds. The bonds mature beginning April 1, 2006, with an average yield of 4.36%.

In March 2004, the City issued \$29,825,000 of Capital Improvement Bonds (Limited Tax General Obligation) to acquire vehicles and equipments. Additionally \$11,935,000 of refunding bonds were issued to refund outstanding bonds. The bonds mature, beginning April 1, 2005, with an average yield of 2.3%.

In June 2004, the City issued \$61,070,000 of General Obligation Fiscal Stabilization Bonds (Limited Tax General Obligation) to fund a portion of the City's accumulated operating deficit. The bonds mature, beginning April 1, 2005, with an average yield of 3.37%. State legislature authorizes municipalities to establish budget stabilization funds for the purpose of providing a method of stabilizing financial operations.

In prior years, the City defeased certain bonds by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the prior debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. The amount of defeased debt outstanding at June 30, 2004 approximated \$67.8 million.

Business-type Activities:

Sewage Disposal Fund:

Swap Termination Payment: During the year ended June 30, 2004, the Sewage Disposal Fund and its counterparty terminated a forward starting swap agreement related to the issuance of debt in fiscal year 2005. The Fund received a termination payment in the amount of \$14,056,137 that has been deferred to offset future debt service. The proceeds will be recognized over the life of the debt that will be issued in fiscal year 2005 using the straight-line method.

The outstanding indebtedness of the Fund was \$2,375,152,599 at June 30, 2004. The interest rates on the outstanding bonds range from 4.2% to 6.5%. Net revenues of the Fund are pledged to repayment of bonds. In fiscal 2004, the Fund issued \$101,435,000 of City of Detroit, Michigan Sewage Disposal System Senior Lien Revenue Refunding Bonds, Series 2004-A. The net proceeds of the 2004-A Bonds will be used to refund certain of the City's outstanding Senior Lien Bonds and to pay cost of issuance associated with the 2004-A Bonds.

A portion of the Senior Lien Revenue Refunding Bonds, Series 2004-A was used to advance-refund \$38,135,000 of the outstanding Sewage Disposal System Revenue Bonds, Series 1995-A, and \$65,710,000 of Sewage Disposal System Revenue Bonds, Series 1997-A. The net proceeds of \$112,856,821 (after receiving a premium of \$12,830,333 and payment of \$1,408,512 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1995-A Series and 1997-A Series bonds. As a result, the 1995-A Series and 1997-A Series bonds are considered to be partially defeased, and a portion of the liability for those bonds has been removed from the balance sheet.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4,938,589. This difference, reported in the financial statements as a deduction from bonds payable, is being charged to operations through the year 2024 using the straight-line method. The Fund completed the advance refunding to reduce its total debt service payments over the next 20 years and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3,398,743.

The Fund defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Fund's financial statements. Similarly, the interest expense related to the defeased bonds and the related interest income earned on the escrow fund investments have not been recognized in the statements of revenues, expenses, and changes in fund net assets. As of June 30, 2004 \$490,565,000 of bonds outstanding are considered defeased.

Bonds outstanding at June 30, 2004 included \$1,556,769,307 of bonds callable at various dates after July 1, 2004. These bonds are callable at varying premiums, depending on the issue and length of time to maturity.

Subsequent to year-end, the Fund received loans from the Michigan Municipal Bond Authority Michigan State Revolving Loan Fund Program in the amount of \$28,458,285 for the construction of facilities. The outstanding indebtedness of the Fund for revenue bonds was \$1,713,435,000 at June 30, 2004. The interest rates on the outstanding fixed-rate revenue bonds range from 4.30% to 6.38%. Net revenues of the Fund are pledged to repayment of bonds.

Water Fund:

Swap Termination Payment: During the year ended June 30, 2004, the Water Supply System Fund and its counterparty terminated a forward starting swap agreement related to the issuance of debt in fiscal year 2005. The Fund received a termination payment in the amount of \$16,943,863 that has been deferred to offset future debt service. The proceeds will be recognized over the life of the debt that will be issued in fiscal year 2005 using the straight-line method.

In fiscal 2004, the Fund issued \$240,600,000 of City of Detroit, Michigan Water Supply System Revenue Senior Lien Bonds consisting of; \$77,010,000 of City of Detroit, Michigan Water Supply System Revenue Refunding Second Lien Bonds (Variable Rate Demand) Series 2004-A; and \$163,590,000 of City of Detroit, Michigan Water Supply System Revenue Refunding Senior Lien Bonds (Variable Rate Demand) Series 2004-B. The net proceeds were used to refund a portion of the City's outstanding Water Supply System Revenue Bonds and Revenue Refunding Bonds and to pay cost of issuance associated with the 2004 Bonds.

The proceeds of the Revenue Refunding Second Lien Bonds, Series 2004-A were used to advance-refund \$70,830,000 of outstanding Water Supply System Revenue Second Lien Bonds, Series 1995-A, maturing in the years 2015 and 2025 with an average interest rate of 5.5%. The net proceeds of \$76,165,192 (after payment of \$844,808 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Government securities.

The proceeds of the Revenue Refunding Senior Lien Bonds, Series 2004-B were used to advance-refund \$12,610,000 of outstanding Water Supply System Revenue and Refunding Bonds, Series 1993, maturing serially in the years 2005 through 2009; \$30,000,000 of Series 1993 Term Bonds, maturing in the year 2013; \$58,030,000 of Series 1993 Term Bonds, maturing in the year 2019; and \$54,940,000 of Series 1993 Term Bonds, maturing in the year 2023. The net proceeds of \$161,794,783 (after payment of \$1,795,217 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Government securities.

Those refunded securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 Series Bonds and provided for partial future debt service payments on the 2001-A Series Bonds. As a result, the 1993 Series Bonds and a portion of the 2001-A Series Bonds are considered to be defeased, and the liability for those bonds has been removed from the balance sheet.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$18,639,245. This difference, reported in the financial statements as a deduction from bonds payable, is being charged to operations through the year 2025 using the straight-line method. The Fund completed the advance refunding to reduce its total debt service payments over the next 21 years and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$12,105,118.

The Fund defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Fund's financial statements. Similarly, the interest expenses related to the defeased bonds and the related interest income earned on the escrow fund investments have not been recognized in the statements of revenues, expenses, and changes in fund net assets. As of June 30, 2004, approximately \$546,360,000 of bonds outstanding are considered defeased.

Bonds outstanding at June 30, 2004 include \$1,390,050,000 of bonds callable at various dates after June 30, 2004. These bonds are callable at varying premiums, depending on the issue and length of time to maturity.

Automobile Parking Fund:

Swap Termination Payment: During the year ended June 30, 2004, the Automobile Parking Fund and its counterparty terminated a swap agreement related to the issuance of debt in fiscal year 2000. The Fund received a termination payment in the amount of \$4,077,469. The proceeds will be recognized over the remaining life of the debt for which the swap was issued using the straight-line method.

Component Units:

As of June 30, 2004 of this year, the School District had \$1.502 billion in bonds outstanding, plus \$45.7 million in unamortized bond premium, for a total of \$1.547 billion.

Subsequent to year end, the School District repaid the \$195,535,000 and \$70,000,000 notes due August 2004 and borrowed \$210,000,000 at 1.55 percent annual interest on a new State Aid Anticipation Note. The note, plus interest, is due in August 2005. At June 30, 2004, Detroit Public Schools has accrued interest of \$1,879,388 on these notes.

During the year, the school district issued \$17,330,000 in general obligation bonds with an average interest rate of 4.00 percent. The proceeds of the bonds were used to advance refund \$7,800,000 of Series XXI bonds with an average interest rate of 7.00 percent and \$9,150,000 of the Series XXII bonds with an average interest rate of 9.35 percent. The net proceeds of approximately \$17.1 million were placed in an irrevocable trust.

In prior years, the District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the financial statements. The amount of defeased debt outstanding at June 30, 2004 approximated \$66.1 million.

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

	Bond Date	Amount Issued	Retired Year Ended		Outstanding Range of Interest Rates	June 30, 2004	
			Interest Rate	Amount		Maturity Date	Amount
<u>Governmental Activities: (Note A)</u>							
General Obligation Bonds - Unlimited Tax							
Series 1995-B.....	8-1-95	\$ 183,450,000	7%	\$ 17,050,000	6.25 to 6.38%	4/1/05-11	\$ 99,470,000 c
Series 1996-A.....	11-1-96	22,195,000	-	-	5.20 to 5.50	4/1/08-16	20,470,000 c
Series 1996-B.....	11-1-96	1,350,000	4.80	165,000	4.90 to 5.00	4/1/05-06	350,000
Series 1996-B.....	11-1-96	21,975,000	-	-	5.10 to 5.50	4/1/07-15	21,975,000 c
Series 1997-A.....	12-15-97	29,605,000	-	-	5.00 to 5.50	4/1/08-18	29,120,000 c
Series 1997-B.....	12-15-97	12,860,000	4.40	235,000	4.40 to 5.50	4/1/05-07	8,865,000
Series 1997-B.....	12-15-97	22,945,000	-	-	5.00 to 5.38	4/1/08-14	22,945,000 c
Series 1999-A.....	4-1-99	13,975,000	-	300,000	5.00	4/1/08	1,705,000
Series 1999-A.....	4-1-99	30,125,000	-	-	5.00 to 5.25	4/1/09-19	30,125,000 c
Series 1999-B.....	11-15-99	14,725,000	-	-	5.00	4/1/08-09	3,825,000
Series 1999-B.....	11-15-99	30,275,000	-	-	5.125 to 6.00	4/1/10-19	30,275,000 c
Series 2000-AMT.....	2-15-00	9,270,000	5.00	975,000	5.00 to 5.75	4/1/05-09	5,680,000
Series 2000-AMT.....	2-15-00	1,335,000	-	-	5.75	4/1/10	1,335,000 c
Series 2001 A (1).....	7-15-01	16,800,000	-	-	3.625 to 5.50	4/1/06-11	16,800,000
Series 2001 A (1).....	7-15-01	83,200,000	-	-	5.0 to 5.315	4/1/12-21	83,200,000 c
Series 2001-A(2).....	7-15-01	5,000,000	-	-	Variable	4/1/2022	5,000,000 c
Series 2001-B.....	7-15-01	23,560,000	3.25	1,250,000	3.50 to 5.50	4/1/05-11	22,310,000
Series 2001-B.....	7-15-01	23,235,000	-	-	5.375	4/1/12-14	23,235,000
Series 2002.....	8-2-02	13,840,000	3.00	1,560,000	3.00 to 4.00	4/1/05-10	10,420,000
Series 2002.....	8-2-02	31,160,000	-	-	4.00 to 5.50	4/1/11-22	31,160,000 c
Series 2003A.....	10-9-03	7,065,000	-	-	3.70 to 5.00	4/1/10-12	7,065,000
Series 2003A.....	10-9-03	36,955,000	-	-	4.00 to 5.25	4/1/13-23	36,955,000 c
Series 2003B.....	10-9-03	10,770,000	-	10,770,000	3.0 to 5.00	4/1/2006	0
Distributable State Aid Bonds:							
Series 1993.....	12-1-93	136,675,000	4.90	10,050,000	5.00 to 5.25	5/1/05-09	58,365,000
Total General Bonds - Unlimited Tax.....							570,650,000

1 - interest rate equal to the Dutch Auction Rate.

2 - interest rate equal to 1 1/4% in excess of the cost of funds. The cost of funds shall be the rate quoted by the registered holder of the bonds.

c - indicates bonds are callable under terms specified in the indenture; all other bonds are noncallable.

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

			Retired Year Ended		Outstanding June 30, 2004		
	Bond Date	Amount Issued	Interest Rate	Amount	Range of Interest Rates	Maturity Date	Amount
<u>Governmental Activities:</u>							
General Obligation Bonds - Limited Tax:							
Self-Insurance Bonds:							
Series 1995-B.....	6-1-95	\$ 40,000,000	6.83%	\$ 28,870,000	0%	-	\$ -
Series 2003.....	9/1/2003	98,895,000	-	-	2.42 to 4.97	5/1/2006	98,895,000
General Obligation:							
Series 1997.....	5-1-97	3,300,000	4.95	535,000	5.05 to 5.20	7/15/04-06	1,770,000
Series 1997.....	5-1-97	13,665,000	-	-	5.25 to 6.25	7/15/07-20	13,665,000
Series 2002A.....	6-27-02	52,725,000	4.50	12,010,000	4.5 to 5.0	4/1/05-21	39,560,000
Series 2004A.....	3-12-04	41,760,000	-	-	1.05 to 5.0	4/1/05-09	41,760,000
Series 2004Fiscal Stabilization ..	6-17-04	61,070,000	-	-	3.0 to 5.0	4/1/05-09	61,070,000
Total General Bonds- Limited Tax.....							256,720,000
Total General Bonds.....							827,370,000
Detroit Building Authority Bonds:							
District Court Madison Center							
Project, Series 1996 A.....	9-1-96	2,770,000	6.15	780,000	6.15	2/1/05-06	1,990,000
	9-1-96	7,230,000	-	-	6.15	2/1/07-11	7,230,000
	9-1-96	1,000,000	-	-	Variable	2/1/11	1,000,000
Series 1996 B.....	9-1-96	6,910,000	7.97	586,478	7.97	7/1/04-06	1,193,826
Total Detroit Building Authority Bonds.....							11,413,826
Total General Obligation Bonds.....							838,783,826
<u>Revenue Bonds:</u>							
Convention Facility Limited Tax Revenue Bonds- Cobo Hall Expansion:							
Series 1993.....	9-1-93	167,050,000	5.75	78,515,000	5.10 to 5.75	9/1/04-07	44,485,000
Series 2003.....	9-18-03	90,883,138	-	-	2.0-5.0	09/30/4-15	90,883,138
TotalConventional Facility Limited Tax Revenue Bonds-Cobo Hall Expansion.....							135,368,138
Total Bonds.....							\$ 974,151,964

c – indicates bonds are callable under terms specified in the indenture; all other bonds are noncallable

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

	Bond Date	Amount Issued	Retired Year Ended June 30, 2004		Outstanding June 30, 2004		
			Interest Rate	Amount	Range of Interest Rates	Maturity Date	Amount
Business type Activities:							
Sewage Disposal Fund							
Sewage Disposal System Revenue Bonds (note B):							
Series 1992-A-SRF (5044-01).....	6-25-92	\$ 4,360,000	2.00%	\$ 220,000	2.00%	4/1/05-13	\$ 2,175,000
Series 1992-B-SRF (5070-01).....	9-10-92	1,915,000	2.00	95,000	2.00	10/1/04-13	1,050,000 c
Series 1993-A.....	3-9-93	45,850,000	Various	11,785,000	-	-	-
Series 1993-B-SRF (5091 & 5092).....	9-30-93	6,603,996	2.00	315,000	2.00	10/1/04-14	3,910,000 c
Series 1995-A.....	11-1-95	14,630,000	4.70	2,600,000	5.00 to 6.00	7/1/2004	2,715,000
Series 1995-A.....	11-1-95	117,800,000	Various	38,135,000	5.00 to 5.25	7/1/05-16	9,655,000 c
Series 1995-B.....	11-1-95	45,040,000	4.70	1,865,000	4.80	7/1/2004	1,960,000
Series 1995-B.....	11-1-95	80,255,000	-	-	4.90 to 6.25	7/1/05-21	80,255,000 c
Series 1997-A.....	6-15-97	55,625,000	4.50	4,300,000	4.60 to 6.00	7/1/04-06	35,865,000
Series 1997-A.....	6-15-97	206,869,128	-	65,710,000	5.00 to 6.00	7/1/07-27	106,799,128 c
Series 1997-B-SRF (5125-01).....	9-30-97	5,430,174	2.25	235,000	2.25	10/1/04-18	4,245,000
Series 1998-A.....	12-10-98	69,000,000	-	-	4.512	7/1/04-23	68,400,000
Series 1998-B.....	12-10-98	68,955,000	-	-	4.512	7/1/04-23	68,200,000
Series 1999-SRF-1 (5126-01).....	6-24-99	21,475,000	2.50	905,000	2.50	4/1/05-20	17,985,000
Series 1999-SRF-2 (5143-01).....	9-30-99	46,000,000	2.50	1,795,000	2.50	10/1/04-20	44,205,000
Series 1999-SRF-3 (5144-01).....	9-30-99	29,255,633	2.50	1,275,000	2.50	10/1/04-20	25,530,633
Series 1999-SRF-4 (5175-01).....	9-30-99	40,655,000	2.50	1,670,000	2.50	10/1/04-20	35,775,000
Series 1999-A.....	12-1-99	7,225,000	4.50	2,190,000	4.625 to 5.00	7/1/04-09	1,515,000
Series 1999-A.....	12-1-99	295,770,178	-	-	5.125 to 6.00	7/1/10-29	37,620,179 c
Series 2000-SRF-1 (5143-02).....	9-28-00	46,593,256	2.50	2,085,000	2.50	10/1/04-22	44,508,256
Series 2000-SRF-2 (5175-02).....	9-28-00	57,839,727	2.50	2,535,000	2.50	10/1/04-22	55,304,727
Series 2001-SRF-1 (5175-03).....	6-28-01	82,200,000	-	-	2.50	10/1/04-24	82,200,000
Series 2001-SRF-2 (5175-04).....	6-28-01	57,195,868	-	-	2.50	10/1/04-24	57,195,868
Series 2001-A.....	9-15-01	76,375,000	-	-	5.00 to 5.13	7/1/22-31	76,375,000
Series 2001-B.....	9-15-01	110,550,000	-	-	5.50	7/1/23-29	110,550,000
Series 2001-C(1).....	9-23-01	159,970,000	4.43	345,000	4.43	7/1/04-27	156,860,000
Series 2001-C(2).....	9-23-01	127,165,000	4.47	225,000	4.47	7/1/04-24	124,735,000
Series 2001-D.....	9-23-01	92,450,000	-	-	5.50	7/1/2032	92,450,000
Series 2001-E.....	9-23-01	139,080,000	-	-	4.38	7/1/24-31	139,080,000
Series 2002 SRF-1 (5204-01).....	10-27-01	17,491,081	-	745,000	2.50	4/1/05-23	16,746,081
Series 2002-SRF-2(5204-02).....	10-27-01	1,191,123	-	75,000	2.50	4/1/05-33	1,116,148
Series 2003-A.....	5-22-03	158,000,000	3.00	3,485,000	5.00	7/1/04-13	154,515,000
Series 2003-A.....	5-22-03	441,380,000	-	-	5.00	7/1/14-32	441,380,000 c
Series 2003-B.....	5-22-03	150,000,000	-	-	Variable	7/1/32-33	150,000,000
Series 2003-SRF-1(5204-04).....	6-28-03	15,339,190	-	-	2.50	10/1/06-25	15,339,190
Series 2003-SRF-2(5204-03).....	9-25-03	7,502,389	-	-	2.50	4/1/06-25	7,502,389
Series 2004-A.....	1-9-04	101,435,000	-	-	2.00 to 5.25	7/1/04-25	101,435,000
Total Sewage Disposal System Revenue Bonds.....							\$ 2,375,152,599

c - indicates bonds are callable under terms specified in the indenture; all other bonds are noncallable

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

		Retired Year Ended					
		June 30, 2004		Outstanding June 30, 2004			
Bond	Amount	Interest		Range of	Maturity		
Date	Issued	Rate	Amount	Interest Rates	Date	Amount	
Business type Activities:							
<u>Water Fund</u>							
Water Supply System Revenue Bonds (notes C and D)							
Series 1993.....	10-15-93	\$ 38,225,000	4.65%	\$ 157,490,000	4.70 to 6.5%	7/1/04-15	\$ 14,270,000
Series 1993.....	10-15-93	128,035,000	-	-	4.70 to 6.50	7/1/04-23	12,910,000 c
Series 1995A.....	10-15-95	102,100,000	4.70	73,495,000	4.70 to 5.55	7/1/04-12	70,130,000
Series 1995A.....	10-15-95	70,830,000	-	-	5.50	7/1/13-25	12,150,000 c
Series 1997A.....	9-1-97	29,080,000	4.40	3,845,000	4.30 to 5.25	7/1/04-06	12,655,000
Series 1997A.....	9-1-97	186,220,000	-	-	4.80 to 6.00	7/1/07-27	186,220,000 c
Series 1997B.....	9-1-97	30,555,000	6.00	6,655,000	5.0 to 5.25	7/1/04-06	22,040,000
Series 1999A.....	11-1-99	18,000,000	4.50	2,000,000	4.50 to 5.25	7/1/04-09	12,000,000
Series 1999A.....	11-1-99	238,340,000	-	-	5.125 to 5.75	7/1/10-18	58,700,000 c
Series 2001A.....	5-1-01	302,485,000	-	-	4.50 to 5.75	7/1/11-33	167,675,000 c
Series 2001B.....	5-1-01	108,985,000	-	-	4.50 to 5.50	7/1/12-33	108,985,000 c
Series 2001C.....	6-7-01	192,290,000	-	-	Variable	7/1/04-29	192,290,000
Series 2003A.....	1-28-03	234,805,000	-	-	4.75 to 5.25	7/1/04-34	234,805,000 c
Series 2003B.....	1-28-03	172,945,000	-	-	2.0 to 5.25	7/1/04-34	172,945,000 c
Series 2003C.....	1-28-03	46,355,000	2.00	2,665,000	2.0 to 5.25	7/1/04-22	43,690,000 c
Series 2003D.....	1-28-03	151,370,000	-	-	Variable	7/1/04-34	151,370,000 c
Series 2004A.....	5-04-04	77,010,000	-	-	3.94	7/1/04-23	77,010,000
Series 2004B.....	5-04-04	163,590,000	-	-	3.94	7/1/04-23	163,590,000
Total Water Supply System Revenue Bonds.....							\$ 1,713,435,000

Automobile Parking Fund

Detroit Building Authority Bonds - Revenue Refunding Bonds:

Parking & Arena System-Series 1997A....	2-15-97	\$ 3,050,000	0.05%	\$ 340,000	4.60 to 4.80%	7/1/04-06 \$ 1,110,000
Parking & Arena System-Series 1997B....	2-15-97	37,695,000	6.60	4,250,000	6.68 to 6.79	7/1/04-06 14,535,000
Parking & Arena System-Series 1998A....	7-1-98	8,385,000	4.50	925,000	4.50	7/1/04-03 4,140,000
Parking & Arena System-Series 1998A....	7-1-98	18,615,000	-	-	4.70 to 5.25	7/1/08-19 18,615,000 c
Parking & Arena System-Series 1999A....	10-22-99	29,900,000	7.75	400,000	7.75	7/18/04-29 28,700,000
Total Detroit Building Authority Revenue Refunding Bonds.....						<u>67,100,000</u>
Total Business-type Bonds.....						<u>\$ 4,155,687,599</u>

Note A - As of June 30,2004, the City had \$59,120,000 in outstanding General Obligation Bonds which have been defeased or advanced refunded.

Note B - As of June 30,2004, the City had \$490,565,000 in outstanding Sewage Disposal System Revenue Bonds which have been defeased or advanced refunded.

Note C - Stated Principal amount of State Revolving Fund Bonds issued as part of the State of Michigan's Revolving Loan Program. As the System draws additional amounts from time to time hereafter, the outstanding principal amounts of such Bonds will correspondingly increase.

Note D - As of June 30,2004, the City had \$546,360,000 in outstanding Water Supply System Revenue Bonds which have been defeased or advanced refunded.

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

b. The following is the schedule of Notes Payable at June 30, 2004:

	Issue Date	Range of Interest Rates	Maturity Date	Amount Outstanding June 30, 2004
<u>Governmental Activities Notes Payable</u>				
Urban Renewal Fund:				
Caraco Pharmaceutical Project (Secured by Future Block Grant Revenue).....	8/1/2002	1.75 to 4.16%	8/1/2008	\$ 5,208,000
Ferry Street Project (Secured by Future Block Grant Revenue).....	4/28/1999	1.75 to 4.17	8/1/04-19	2,900,000
Garfield Project (Secured by Future Block Grant Revenue).....	6/5/1996	1.75 to 4.18	8/1/03-15	1,945,000
Michigan Repacking Project (Secured by Future Block Grant Revenue).....	10/28/1997	1.75 to 4.19	8/1/03-04	1,290,000
Riverbend Project (Secured by Future Block Grant Revenue).....	6/5/1996	1.75 to 4.20	8/1/03-15	745,000
Riverbend Project (Secured by Future Block Grant Revenue).....	10/28/1997	1.75 to 4.21	8/1/03-16	405,000
Stuberstone Project (Secured by Future Block Grant Revenue).....	10/28/1997	1.75 to 4.22	8/1/03-16	330,000
New Amsterdam Project (Secured by Future Block Grant Revenue).....	8/1/2002	1.75 to 4.23	8/1/08-23	9,700,000
Total Notes Payable				<u>\$ 22,523,000</u>

c. The following is the schedule of Loans Payable at June 30, 2004:

	Issue Date	Range of Interest Rates	Maturity Date	Amount Outstanding June 30, 2004
<u>Governmental Activities Loans Payable</u>				
Downtown Development Authority.....	1991-1997	- %	-	\$ 33,600,000
Loans Payable GE Capital Schedule - 009.....	10/30/2003	3.50	7/1/04-2/1/09	2,327,537
Loans Payable GE Capital Schedule - 010.....	10/30/2003	3.80	7/1/04-11-1-08	176,130
Loans Payable GE Capital Schedule - 011.....	11/15/2003	3.65	7/1/04-4/15/0/	14,320,318
Loans Payable GE Capital Schedule - 012.....	4/2/2004	3.61	8/1/04-4/1/09	491,400
Loans Payable GE Capital Schedule - 013.....	4/9/2004	4.07	7/1/04-6/1/14	1,285,029
Loans Payable GE Capital Schedule - 014.....	5/14/2004	4.07	7/1/04-6/1/09	529,661
Total Loans Payable				<u>\$ 52,730,075</u>

d. The following is the schedule of Bonds Authorized and Unissued at June 30, 2004:

Authorized (Note A)				
	Authority	Date	Amount	Unissued Amount
General Obligation Bonds (Tax Supported):				
Sewer Construction.....	Electorate	8/2/1960	\$ 50,000,000	\$ 24,000,000
Public Safety.....	Electorate	11/7/2000	12,000,000	9,070,000
Municipal Facilities.....	Electorate	11/7/2000	18,000,000	6,120,000
Public Lighting.....	Electorate	11/7/2000	30,000,000	17,935,000
Institute of Arts.....	Electorate	11/7/2000	25,000,000	9,850,000
Recreation and Zoo.....	Electorate	11/7/2000	56,000,000	30,975,000
Neighborhood and Economic Development.....	Electorate	11/7/2000	30,000,000	9,105,000
Histroical Museum.....	Electorate	11/6/2001	20,000,000	17,670,000
Museum of African American History.....	Electorate	4/29/2003	6,000,000	2,705,000
Total Bonds Authorized - Unissued				<u>\$ 127,430,000</u>

Note A – The electorate approved an amendment to the State Constitution (the Headlee Amendment) November 7, 1978 that requires voter approval for the issuance of general obligation bonds effective December 22, 1978. The authority to issue bonds approved by the electors continues until revoked by the electors.

e. Summary of Annual Principal and Interest Requirements for Bonds, Notes, and Other Debt Payable

Primary Government					
Principal					
Year Ending	Governmental Activities	Business-type Activities			Total
		Automobile Parking Fund	Water Fund	Sewage Disposal Fund	
2005	\$ 72,033,883	\$ 6,255,000	\$ 22,440,000	\$ 44,825,000	\$ 73,520,000
2006	120,570,429	6,615,000	23,305,000	46,945,000	76,865,000
2007	102,237,191	7,105,000	25,470,000	49,850,000	82,425,000
2008	99,869,811	1,610,000	27,905,000	50,364,128	79,879,128
2009	123,738,235	1,670,000	29,235,000	53,725,000	84,630,000
2010-2014	307,426,305	9,980,000	171,020,000	292,483,965	473,483,965
2015-2019	153,684,185	13,360,000	221,985,000	322,654,361	557,999,361
2020-2024	69,845,000	8,605,000	280,810,000	368,745,145	658,160,145
2025-2029	-	9,500,000	355,040,000	504,345,000	868,885,000
2030-2034	-	2,400,000	452,085,000	641,215,000	1,095,700,000
2035	-	-	104,140,000	-	104,140,000
Total	\$ 1,049,405,039	\$ 67,100,000	\$ 1,713,435,000	\$ 2,375,152,599	\$ 4,155,687,599

Primary Government						
Interest						
Year Ending	Governmental Activities	Business-type Activities			Interest Rate Swaps, Net	Total
		Automobile Parking Fund	Water Fund	Sewage Disposal Fund		
2005	\$ 49,778,575	\$ 2,366,670	\$ 63,031,402	\$ 82,994,190	\$ 35,984,187	\$ 184,376,449
2006	46,428,285	1,952,507	62,984,325	82,111,082	38,222,410	185,270,324
2007	42,931,980	1,573,985	61,964,260	80,141,782	38,931,751	182,611,778
2008	37,884,914	1,290,420	60,839,628	79,798,363	38,578,712	180,507,123
2009	32,724,895	1,226,448	59,613,418	75,653,698	38,389,414	174,882,978
2010-2014	99,660,834	5,163,563	276,727,182	349,000,086	181,142,795	812,033,626
2015-2019	54,631,934	2,950,026	235,587,665	306,498,097	159,515,037	704,550,825
2020-2024	7,091,833	974,652	198,833,363	235,215,796	127,258,406	562,282,217
2025-2029	-	417,809	151,051,823	137,450,600	73,503,346	362,423,578
2030-2034	-	2,083	72,437,771	39,101,591	30,308,232	141,849,677
2035	-	-	2,603,500	-	-	2,603,500
Total	\$ 371,133,251	\$ 17,918,163	\$ 1,245,674,337	\$ 1,467,965,285	\$ 761,834,290	\$ 3,493,392,075

The City entered into a loan payable with the Downtown Development Authority, a component unit, for \$33.6 million. The loan was used to cover cost related to the Cobo Hall Expansion Project and operations of the Downtown People Mover System. The loan was unsecured and bears no interest and will be repaid by the City as general operating funds become available. As such, the loan payable has not been included in both governmental activities annual principle and interest requirements.

Component Units		
Year Ending	Principal	Interest
2005	107,090,400	\$ 109,081,049
2006	167,742,259	107,769,782
2007	123,973,424	101,843,985
2008	122,680,631	94,972,564
2009	133,784,165	90,434,341
2010-2014	456,900,792	353,751,301
2015-2019	251,257,120	315,174,019
2020-2024	227,565,426	252,735,432
2025-2029	484,438,879	180,362,422
2030-2034	227,200,000	24,980,500
2035	-	-
	\$ 2,302,633,096	\$ 1,631,105,395

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

f. Long-term Liabilities Activity for the Year Ended June 30, 2004

	Balance June 30, 2003	Increase	Decrease	Balance June 30, 2004	Amount Due Within One Year
Governmental Activities:					
Long-term debt:					
Convention Facility – Cobo					
Center Expansion Revenue Bonds	\$ 123,000,000	\$ 90,883,138	\$ 78,515,000	\$ 135,368,138	\$ 10,355,000
Detroit Building Authority Bonds – Madison Center Project	12,780,304	-	1,366,478	11,413,826	1,491,872
Distribution State Aid Bonds	68,415,000	-	10,050,000	58,365,000	10,540,000
Self-insurance Limited Tax Bonds	28,870,000	98,895,000	28,870,000	98,895,000	-
General Obligation – General Bonds	489,800,000	54,790,000	32,305,000	512,285,000	22,600,000
General Obligation Limited Tax Bonds	67,540,000	102,830,000	12,545,000	157,825,000	16,990,000
Total General Fund Bonds	790,405,304	347,398,138	163,651,478	974,151,964	61,976,872
Federal note – Caraco Pharmaceutical Project	6,105,000	-	897,000	5,208,000	942,000
Federal note – Ferry Project	2,900,000	-	-	2,900,000	85,000
Federal note – Garfield Project	2,050,000	-	105,000	1,945,000	105,000
Federal note – Michigan Repacking Project	1,335,000	-	45,000	1,290,000	1,290,000
Federal note – Riverbond Project	1,230,000	-	80,000	1,150,000	80,000
Federal note – Stuberstone Project	345,000	-	15,000	330,000	15,000
Federal note – New Amsterdam Project	9,700,000	-	-	9,700,000	-
Loan payable to Downtown Development Authority	33,600,000	-	-	33,600,000	-
Loan payable – GE Capital – Airport	118,202	-	118,202	-	-
Loan payable – GE Capital – Cobo Hall Energy System	9,729,106	-	9,729,106	-	-
Loan payable – GE Capital – Election System	1,336,649	-	1,336,649	-	-
Loan payable – GE Capital – Fire	1,345,708	-	1,345,708	-	-
Loan payable – GE Capital ITS - Unisys	7,360,070	-	7,360,070	-	-
Loan payable – GE Capital – Income Tax	378,929	-	378,929	-	-
Loan payable – IBM Credit Corporation	11,702,252	-	11,702,252	-	-
Loan payable – GE Capital Schedule-009	-	2,500,250	172,713	2,327,537	475,336
Loan payable – GE Capital Schedule-010	-	200,728	24,598	176,130	37,996
Loan payable – GE Capital Schedule-011	-	19,525,824	5,205,506	14,320,318	6,722,475
Loan payable – GE Capital Schedule-012	-	491,400	-	491,400	106,899
Loan payable – GE Capital Schedule-013	-	1,286,250	1,221	1,285,029	99,504
Loan payable – GE Capital Schedule-014	-	536,698	7,037	529,661	97,801
Total Governmental Notes and Loans	89,235,916	24,541,150	38,523,991	75,253,075	10,057,011
Total Long-Term Bonds, Notes, and Loans	879,641,220	371,939,288	202,175,469	1,049,405,039	72,033,883
Other Long-Term Obligations:					
Accrued Compensated Absences	135,809,088	28,094,015	23,432,088	140,471,015	4,236,630
Claims and Judgments	111,151,465	82,474,865	71,753,756	121,872,574	6,148,836
Workers' Compensation	67,653,774	35,244,717	37,481,113	65,417,378	16,556,000
Total Other Long-Term Obligations	314,614,327	145,813,597	132,666,957	327,760,967	26,941,466
Total Governmental Long-Term Obligations	\$ 1,194,255,547	\$ 517,752,885	\$ 334,842,426	\$ 1,377,166,006	\$ 98,975,349

Note: The City has recognized a liability in the general fund of \$706,105 for compensated absences, \$6,148,836 for claims and judgments, and \$2,656,180 for workers compensation as of June 30, 2004 for amounts that were due as of year end. The remaining compensated absences, claims and judgments, and workers compensation claims liability and all other long-term obligations are considered to be general long-term liabilities and are recognized only in the government-wide financial statements.

City of Detroit, Michigan
NOTES TO BASIC FINANCIAL STATEMENTS
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	Balance June 30, 2003	Increase	Decrease	Balance June 30, 2004	Amount Due Within One Year
<u>Business-type Activities</u>					
<u>Major Funds:</u>					
Long-term Debt and Obligations:					
Automobile Parking Fund:					
Bonds Payable	\$ 73,315,000	\$ -	\$ (6,215,000)	\$ 67,100,000	\$ 6,255,000
Accrued Compensated Absences	280,830	166,263	-	447,093	199,469
Sewage Disposal Fund:					
Bonds Payable	2,311,620,907	206,121,692	(142,590,000)	2,375,152,599	44,825,000
Accrued Compensated Absences	9,965,977	2,345,824	(153,538)	12,158,263	6,051,544
Accrued Public Liability and Workers' Compensation	4,844,529	1,543,501	(1,181,346)	5,206,684	1,181,346
Water Fund:					
Bonds Payable	1,718,985,000	240,600,000	(246,150,000)	1,713,435,000	22,440,000
Accrued Compensated Absences	13,925,849	1,810,212	(146,540)	15,589,521	9,984,576
Accrued Public Liability and Workers' compensation	13,778,575	6,756,198	(4,756,519)	15,778,254	4,756,519
Transportation Fund:					
Accrued Compensated Absences	3,847,975	-	(117,814)	3,730,161	2,984,129
Accrued Public Liability and Workers' Compensation	2,236,047	1,312,053	-	3,548,100	709,620
<u>Non-major Funds:</u>					
Accrued Compensated Absences	2,052,115	-	(1,584,837)	467,278	171,351
Accrued Public Liability and Workers' Compensation	5,000,107	-	(4,877,458)	122,649	10,933
Total Bonds Payable	4,103,920,907	446,721,692	(394,955,000)	4,155,687,599	73,520,000
Total Accrued Compensated Absences	30,072,746	4,322,299	(2,002,729)	32,392,316	19,391,069
Total Public Liability and Workers' Compensation	25,859,258	9,611,752	(10,815,323)	24,655,687	6,658,418
Total Long-term Debt and Obligations	\$ 4,159,852,911	\$ 460,655,743	\$ (407,773,052)	\$ 4,212,735,602	\$ 99,569,487
<u>Component Units</u>					
School District of the City of Detroit:					
Bonds, Notes and Leases Payable	\$ 1,549,347,195	\$ 51,789,928	\$ (57,586,140)	\$ 1,543,550,983	\$ 43,208,483
Accrued Compensated Absences	153,729,484	-	(6,036,800)	147,692,684	2,325,877
Accrued Public Liability and Workers' Compensation	56,268,822	159,773,219	(159,640,342)	56,401,699	-
	1,759,345,501	211,563,147	(223,263,282)	1,747,645,366	45,534,360
Other Component Units:					
Bonds, Notes and Leases Payable	804,477,841	23,360,101	(68,685,526)	759,152,416	63,881,917
Total Accrued Compensated Absences	2,845,211	3,031,790	(691,897)	5,185,104	477,328
Accrued Public Liability and Workers' Compensation	290,515	297,297	-	587,812	324,506
	\$ 807,613,567	\$ 26,689,188	\$ (69,377,423)	\$ 764,925,332	\$ 64,683,751

5. Derivatives not reported at fair value

The City is party to derivative financial instruments consisting of interest rate swaps that are intended to effectively convert variable-rate debt to fixed-rate debt. These are not reported at fair value on the statement of net assets at June 30, 2004.

Objective of the swaps. In order to better manage its interest rate exposure and to reduce the overall costs of its borrowing, the City has entered into 25 separate fixed payor interest rate swaps.

Terms, fair values, and credit risk. Certain key terms, fair market values, and counter-party credit ratings relating to the outstanding swaps as of June 30, 2004, are presented below. The notional amounts of the swaps, except those with effective dates of 4/1/05, 9/1/06, and 3/1/07 match the principal amounts of the outstanding debt. The swaps with effective dates of 4/1/05, 9/1/06, and 3/1/07, were entered into to hedge future interest rate risk and will be associated with bonds expected to be issued prior to the effective dates. Except as discussed under rollover risk, the City's swap agreements contain scheduled reductions to outstanding notional amounts that match scheduled or anticipated amortization of associated bonds.

City of Detroit, Michigan
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Associated Bond Issue	Notional Amounts (1)	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Final Maturity of Bonds	Counterparty Credit Rating
Building Authority Series 1999-A	\$28,300,000	10/22/1999	7.48%	LIBOR BBA IMT+.28%	-11,170,783	7/1/2029	7/1/2029 Aa1/AA-/AA+	
Sewage 1998-A	68,000,000	12/10/1998	4.51%	BMA (2)	-5,985,380	7/1/2023	7/1/2023 Aa2/AA-/NR	
Sewage 1998-B	67,900,000	12/10/1998	4.51%	BMA	-5,970,646	7/1/2023	7/1/2023 Aa2/AA-/NR	
Water 2001-C (3)	47,723,000	6/7/2001	4.07%	BMA	-1,813,209	1/1/2006	7/1/2029 Aaa/AA+/NR	
Water 2001-C (3)	30,032,000	6/7/2001	4.70%	BMA	-2,456,809	7/1/2011	7/1/2029 Aaa/AA+/NR	
Water 2001-C (3)	47,628,000	1/1/2006	5.42%	BMA	-3,142,701	7/1/2011	7/1/2029 Aaa/AA+/NR	
Water 2001-C	114,150,000	6/7/2001	4.90%	BMA	-14,671,784	7/1/2026	7/1/2026 Aa3/A+/AA-	
Sewage 2001 C-1	156,500,000	10/23/2001	4.43%	BMA	-15,608,636	7/1/2027	7/1/2027 Aa2/AA+/AAA	
Sewage 2001 C-2	124,500,000	10/23/2001	4.47%	BMA	-7,917,564	7/1/2029	7/1/2029 Aa2/AA+/AAA	
Water 2003-B	1,980,000	1/30/2003	3.02%	CPI + 1.01%	35,471	7/1/2009	7/1/2009 Aa3/A+/AA-	
Water 2003-B	2,290,000	1/30/2003	3.31%	CPI+ 1.12%	34,077	7/1/2010	7/1/2010 Aa3/A+/AA-	
Water 2003-B	2,500,000	1/30/2003	3.55%	CPI + 1.25%	35,834	7/1/2011	7/1/2011 Aa3/A+/AA-	
Water 2003-B	2,175,000	1/30/2003	3.74%	CPI+ 1.33%	27,647	7/1/2012	7/1/2012 Aa3/A+/AA-	
Water 2003-B	2,800,000	1/30/2003	3.87%	CPI + 1.34%	25,667	7/1/2013	7/1/2013 Aa3/A+/AA-	
Water 2003-B	2,505,000	1/30/2003	4.00%	CPI + 1.36%	11,590	7/1/2014	7/1/2014 Aa3/A+/AA-	
Water 2003-C	2,005,000	1/30/2003	3.87%	CPI + 1.34%	18,214	7/1/2013	7/1/2013 Aa3/A+/AA-	
Water 2003-C	2,330,000	1/30/2003	4.00%	CPI + 1.36%	10,747	7/1/2014	7/1/2014 Aa3/A+/AA-	
Water 2003-D	150,965,000	2/6/2003	4.06%	BMA	-5,616,502	7/1/2013	7/1/1933 Aa2/AA-/NR	
Sewage 2003-B	150,000,000	5/22/2003	4.14%	BMA	-6,647,282	7/1/2013	7/1/1933 Aa2/AA+/AAA	
Water 2004-A	77,010,000	5/13/2004	3.94%	BMA	-2,156,755	7/1/2025	7/1/2025 Aa2/AA-/NR	
Water 2004-B	163,590,000	5/13/2004	3.85%	BMA	-3,771,652	7/1/2023	7/1/2023 Aa2/AA-/NR	
Water Forward Starting Swap	195,000,000	4/1/2005	4.71%	BMA	-3,044,079	7/1/2036	N/A Aa3/A+/AA-	
Water Forward Starting Swap	120,000,000	3/1/2007	5.00%	BMA	-1,684,838	7/1/2035	N/A Aa3/A+/AA-	
Sewage Hedge Swap	137,500,000	4/1/2005	4.80%	BMA	-2,981,432	7/1/2035	N/A Aa2/AA+/AAA	
Sewage Hedge Swap	125,000,000	9/1/2006	4.96%	BMA	-1,479,489	7/1/2036	N/A Aa2/AA+/AAA	

1. Notional amount balance as of July 1, 2004
2. The Bond Market Association Municipal Swap Index TM.
3. Denotes that the swap termination date does not match the final maturity of the bonds.

Fair Value: Because interest rates have generally declined since the time the swaps were negotiated, most of the City's swaps have a negative fair value as of June 30, 2004. The negative fair values may be countered by lower total interest payments required under the variable-rate bonds, creating lower synthetic interest rates.

Credit Risk: As of June 30, 2004, the City was not exposed to net credit risk because the swaps had net negative fair values. However, should interest rates change and fair values of the swaps become positive, the City would be exposed to credit risk in the amount of the derivatives' positive fair value.

The swap agreements contain varying collateral agreements with the counterparties. The swaps require full collateralization of the fair value of the swap should the counterparty's credit rating fall below certain rating levels by Fitch Ratings, Standard & Poor's, and/or Moody's Investors Service. Collateral on all swaps is to be in the form of U.S. government securities held by a third-party custodian.

Basis Risk: The City is not exposed to significant basis risk on its swaps because most of the variable payments received are based on the BMA index. The CPI indexed swaps are associated with CPI indexed bonds and thus create no basis risk. The LIBOR based swap has basis risk on \$28.3 million of swaps.

Termination Risk: The City or counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. In such cases, the City may owe or be due a termination payment depending on the value of the swap at that time. In addition, the City is exposed to termination risk, but not termination payments, on certain of the City's swaps related to Water Series 2001C, Water Series 2003D, Water Series 2004-A, Water Series 2004-B, Sewer Series 1998A, Sewer Series 1998B, Sewer Series 2001-C-1, Sewer Series 2001C-2 and Sewer Series 2003B. These swaps provide the counterparty with the option to terminate the swap agreement beginning on 01/01/2010, 07/02/2011, 07/01/2005, 07/01/2005, 07/01/2008, 07/01/2008, 01/01/2010, 01/01/2010, and 07/01/2013, respectively, upon the passing of certain BMA thresholds. If any of these swaps are terminated, the associated variable-rate bonds would no longer carry synthetic interest rates, but there would be no termination payment.

Rollover Risk: The City is exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated debt. When these swaps terminate, or in the case of the termination option, if the counterparty exercises its option, the City will not realize the synthetic rate offered by the swaps on the underlying debt issues.

6. Other Information

Automobile Parking Fund

The City has covenanted in bond authorizing documents to charge for the use of and services provided by the City of Detroit Building Authority Parking Arena System (the System) for each fiscal year of the City such that the gross revenues collected and remitted to the trustee (1) will be at least sufficient to at all times pay when due the principal, interest, and sinking fund installments on the revenue bonds without recourse to the Debt Reserve Account, to pay or provide for all operating expenses, to maintain the System in good repair without recourse to the Operating and Contingency Reserve Fund, and to replenish the Debt Reserve Account (so as to satisfy the corresponding reserve requirement) and the Operating and Maintenance Reimbursement Fund, and (2) will, after replenishment of any deficit in the Debt Reserve Account, Operating and Contingency Reserve Fund, and the Operating and Maintenance Reimbursement Fund, be equal to or greater than 175% of the amount payable in such fiscal year as the principal of sinking fund installments for the interest on all revenue bonds, net of amounts capitalized for interest payable during the construction period.

The City has covenanted further that if the fees and charges collected in any fiscal year are not sufficient to produce such revenues, the City will employ a consulting expert to submit recommendations as to revision of the schedule of fees then in effect and the City will thereafter charge and collect fees in accordance with such recommendation. The schedule of charges for the System may not be revised for a period of two years unless (1) such revision is for purpose of complying with the aforesaid rate covenant or, simultaneous with such revision, there is filed with the trustee a certificate of the consulting expert stating the opinion that if such revision had been in effect during the whole of the fiscal year immediately prior thereto, the revenues collected during such fiscal year would not have been diminished, and (2) at the time of any reduction in charges, the amounts in the Debt Reserve Account and Operating and Contingency Reserve Fund equal or exceed the reserve requirements.

The revenue bond documents specify that additional bonds may be issued by the Fund for the purpose of financing additions, replacements, and improvements to the City of Detroit Building Authority Parking Arena System, provided that the trustee shall have received all legally required authorized opinions and certificates and that the estimated gross revenues (as defined in the bond authorizing documents) for the five years following completion of the facilities will be at least (1) 175% of annual debt service on all parity outstanding bonds, or (2) the sum of annual debt service on all parity outstanding bonds (including the Additional Bonds) plus the amount necessary to make all required payments to the various funds maintained by the trustee, whichever is greater. Other than as described above, the Fund may not issue any obligations secured by gross revenues from the System unless any resulting lien on the System's gross revenues is expressly subordinate to liens for the bondholders' or bank's benefit as described above.

Sewage Disposal and Water Funds Construction Programs

The Sewage Disposal Fund is engaged in a variety of projects that are part of a five-year Capital Improvement Program (the Program). The total cost of this Program is anticipated to be approximately \$2.1 billion through fiscal year 2007. The Program is being primarily financed from revenues of the Fund and proceeds from the issuance of revenue bonds.

The Sewage Disposal Fund total construction contract commitments outstanding at June 30, 2004 were approximately \$647 million.

The Water Fund is engaged in a variety of projects that are part of a five-year Capital Improvement Program (the Program). The total cost of this Program is anticipated to be approximately \$1.6 billion through fiscal year 2007. The Program is being primarily financed from revenues of the Fund and proceeds from the issuance of revenue bonds.

The Water Fund total construction contract commitments outstanding at June 30, 2004 were approximately \$238 million.

Pension Plans:

The City of Detroit Retirement System consists of the General Retirement System (GRS) and the Policemen and Firemen Retirement System (PFRS). Each system is a single-employer plan composed of a Defined Benefit Plan and a Defined Contribution Annuity Plan. The plans provide retirement, disability, and death benefits to plan members and beneficiaries. The Systems issued publicly available financial reports that include financial statements and the required supplementary information. The reports can be obtained at 2 Woodward Avenue, Coleman A. Young Municipal Center, Room 908.

These plans are administered in accordance with the City of Detroit Charter and union contracts, which assign the authority to establish and amend contributions and benefit provisions to each plan's Board of Trustees. The Systems' investment policies are governed in accordance with the State of Michigan Public Act 314 of 1965, as amended.

The plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable, in accordance with the terms of each plan.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar investments. Investments that do not have an established market are reported at estimated fair value.

The City's policy is to fund normal costs and amortization of prior service costs. The City is required to contribute at an actuarially determined rate. The current rate is up to 27.34% of active annual payroll for the General Retirement System (depending on the bargaining unit) and 27.68% of active annual payroll for the Policemen and Firemen Retirement System. Contributions from City funds and the Library, including accounts receivable for the year ended June 30, 2004, amounted to \$95,876,076 and \$69,475,202 for the General Retirement System and the Policemen and Firemen Retirement System, respectively.

Employee contributions for annuity savings are as follows:

- General Retirement System — Employees may elect to contribute 3%, 5%, or 7% of the first \$87,900 of annual compensation and 5% or 7 % of any excess over \$87,900. Contributions are voluntary for all union and non-union employees.
- Policemen and Firemen Retirement System— Mandatory contributions are 5% of base compensation until eligibility for retirement is reached.

Contributions received from employees during the year ended June 30, 2004 amounted to \$24,290,278 and \$10,318,299 for the General Retirement System and the Policemen and Firemen Retirement System, respectively.

The contribution requirements of plan members and the City of Detroit are established and may be amended by the Board of Trustees in accordance with the City Charter, union contracts, and plan provisions.

General Retirement System members may retire with full benefits after attaining 30 years of service; age 55 with 30 years of service if hired after January 1, 1996; age 60 with 10 years of service; or age 65 with 8 years of service. Employees may retire after 25 years of service and collect an actuarially reduced retirement benefit.

Police officers and firefighters hired prior to January 1, 1969 may retire after 25 years of service with full benefits and an escalator clause for future increases. Police officers and firefighters hired after January 1, 1969 may retire after twenty-five (25) years of service with full benefits and a yearly cost-of-living adjustment of 2.25%.

Members of the General Retirement System who separated prior to July 1, 1981, met the age and service requirements, and who did not withdraw their accumulated annuity contributions are generally eligible for a pension at the time they would have been eligible had they continued in City employment. Members who separate after July 1, 1981 are not required to leave their accumulated annuity contributions in the System.

Members of the Policemen and Firemen Retirement System who separated prior to July 1, 1982, met the age and service requirements, and who did not withdraw their accumulated annuity contributions are generally eligible for a pension at the time they would have been eligible had they continued in City employment. Members who separate after July 1, 1982 and meet the age and service requirements are able to withdraw their accumulated contributions and remain eligible for a benefit.

Monthly pension benefits, which are subject to certain minimum and maximum amounts, are determined according to fixed rates per year of credited service. Pension benefits for all members of the General Retirement System are increased annually by 2.25% of the original pension. For those members of the Policemen and Firemen Retirement System who were hired after January 1, 1969, pension benefits are increased annually by 2.25% of the original pension. Police officers and firefighters hired before January 1, 1969 may elect at retirement increases based upon pay increases of active members or annual increases of 2.25% of the original pension.

Employee contributions to both systems for annuity savings may be withdrawn upon separation from the City. At retirement, members have the option to withdraw all or part of their accumulated annuity contributions plus interest in either a lump sum or to receive monthly annuity payments. Employees in both systems may withdraw their annuity balance if they have accumulated 25 years of service. The following details the schedule of employer contributions (in millions):

General Retirement System				Policemen and Firemen Retirement System			
<u>Year Ended June 30</u>	<u>Annual Pension Costs</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>	<u>Year Ended June 30</u>	<u>Annual Pension Costs</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
1999	55.7	100	—	1999	15.7	100	—
2000	66.7	100	—	2000	20.0	100	—
2001	68.1	100	—	2001	14.4	100	—
2002	67.8	100	—	2002	8.4	100	—
2003	72.9	100	—	2003	66.8	100	—
2004	95.9	92	—	2004	69.5	—	—

Classes of Employees: The GRS covers all eligible employees other than police officers and firefighters, who are covered by the PFRS.

The plans' membership consisted of the following at June 30, 2004, the date of the latest actuarial valuation:

	Defined Benefit		Defined Annuity Contributions	
	<u>GRS</u>	<u>PFRS</u>	<u>GRS</u>	<u>PFRS</u>
Retirees and beneficiaries receiving benefits	11,332	8,695	1,562	1,419
Terminated plan members entitled to but not yet receiving benefits	1,547	33	165	5
Active plan members	12,312	5,177	11,025	4,760

Cash and Investments: Cash balances for the two systems are held in financial institutions insured as members of FDIC in the Systems' name. As of June 30, 2004, the carrying amounts of \$8,051,609 for the General Retirement System and \$1,259,681 for the Policemen and Firemen Retirement System were equal to bank balances. Of the bank balance, \$113,000 for the GRS and \$94,000 for the PFRS is covered by federal depository insurance. The remaining balance is uninsured.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 3, the Systems' investments are categorized to give an indication of the level of custodial risk assumed by the Systems at June 30, 2004.

Category 1: Includes investments insured or registered, and held by an agent in the City's name.

Category 2: Includes investments, which are uninsured, unregistered, and held by an agent in the City's name.

N/A: Those investments identified by N/A are not categorized because they represent pooled funds.

The Retirement Systems have adopted an official investment policy that is in accordance with state statute. Authorized investments include U.S. Government obligations, certificates of deposit, savings and depository accounts of insured institutions, commercial paper of certain investment quality, bankers' acceptances, repurchase agreements, mutual funds of certain investment quality, secured lease obligations, real and personal property, small business and venture capital firms, preferred stock, common stock, and other investments not excluded by state statute, limited as to portfolio share.

City of Detroit, Michigan
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The Systems invest in mortgage-backed securities. These securities are reported at fair value in the balance sheet and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgages, which may result from a decline in interest rates. For example, if

interest rates decline and homeowners refinance mortgages, thereby prepaying the mortgages underlying these securities, the cash flow from interest payments is reduced and the value of these securities declines. Likewise, if homeowners pay on mortgages longer than anticipated, the cash flows are greater and the return on the initial investments would be higher than anticipated. The Systems invest in mortgage-backed securities to diversify the portfolio and to increase the return while minimizing the extent of risk.

Below is a description of the investments by type and category at June 30, 2004.

Investment		Category
General Retirement System:		
Short-term Investments	\$ 82,198,405	2
Stocks	1,553,816,583	1
Bonds	300,707,194	1
Mortgage-backed Securities	59,636,979	1
Mortgage and Construction Loans	133,005,232	1
Equity Interest in Real Estate	77,971,839	1
Pooled Investments	93,010,892	N/A
Private Placements	<u>253,656,948</u>	2
Total	<u>\$ 2,554,004,072</u>	
Policemen and Firemen Retirement System:		
Short-term Investments	\$ 71,444,467	2
Stocks	1,670,466,391	1
Bonds	608,197,193	1
Mortgage-backed Securities	65,910,437	1
Mortgage and Construction loans	110,140,189	1
Equity Interest in Real Estate	88,390,272	1
Real Estate Investment Trusts	28,522,443	2
Pooled Investments	363,858,019	N/A
Private Placements	<u>48,495,074</u>	2
Total	<u>\$ 3,055,424,485</u>	

Securities Lending: Under the provisions of Securities Lending Authorization Agreements, the Retirement Systems lend securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Systems' custodial banks manage the securities lending program and receive cash, securities, and irrevocable bank letters of credit as collateral. The custodial banks do not have the ability to pledge or sell collateral securities unless the borrower defaults. Borrowers are required to deliver collateral for each loan equal to but not less than 100% of the market value of the loaned securities.

The Systems did not impose any restrictions during the fiscal year on the amount of the loans that the custodial banks made on its behalf, and the custodial banks indemnified the Systems by agreeing to purchase replacement securities or return cash collateral in the event a borrower failed to return the loaned security or pay distributions thereon. There were no such failures by any borrowers during the fiscal year. Moreover, there were no losses during the fiscal year resulting from default of the borrowers or the custodial banks. The Systems and the

City of Detroit, Michigan
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borrowers maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan is invested in two separate collective investment pools. The average duration of each investment pool as of June 30, 2004 was 55 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2004, the Systems had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for the System as of June 30, 2004 was \$238,757,976 and \$232,701,006 for the GRS and \$651,046,471 and \$634,957,695 for the PFRS respectively.

For accounting purposes, the statements of net assets and changes in net assets in the fiduciary funds reflect the increase in assets, liabilities, interest income, and expense associated with securities lent.

Investment loss presented in the statement of changes in fiduciary net assets for the Retirement System consist of interest income, dividend income, net depreciation, and investment expenses. GRS and PFRS were unable to break down each component by reserve fund as required in GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*; however, the Systems were able to present components in total:

	<u>GRS</u>	<u>PFRS</u>
Investment Gain, Net:		
Dividend Income	\$ 24,046,920	\$ 26,979,547
Interest Income	86,137,211	83,333,335
Net Appreciation	237,895,378	317,767,620
Investment Expense	<u>(11,496,468)</u>	<u>(12,379,319)</u>
Total	<u>\$ 336,583,041</u>	<u>\$ 415,701,183</u>

Other Post-employment Benefits: In addition to the pension benefits described above, the City provides post-retirement benefits to its retirees, which include hospitalization, dental care, eye care, and life insurance. The number of City retirees at June 30, 2004 is 20,027. Costs are accounted for in accordance with GASB Statement No. 12, *Disclosures of Information on Post-retirement Benefits Other Than Pension Benefits by State and Local Governmental Employers*. The benefits are provided in accordance with the City Charter and union contracts. The costs of benefits, which are financed on a pay-as-you-go basis, for the year ended June 30, 2004, are as follows:

Benefit	<u>City Cost</u>	<u>Retiree Cost</u>	<u>Total Cost</u>
Hospitalization	\$ 136,840,848	\$ 14,273,870	\$ 151,114,718
Dental	6,720,554	—	6,720,554
Eye Care	2,218,589	—	2,218,589
Life Insurance	<u>143,235</u>	<u>26,690</u>	<u>169,925</u>
Total	<u>\$ 145,923,226</u>	<u>\$ 14,300,560</u>	<u>\$ 160,223,786</u>

Significant actuarial assumptions used in preparing the accompanying Systems' financial statements for the year ended June 30, 2003 follow:

	General Retirement System	Policemen and Firemen Retirement System
Valuation Date	June 30, 2003	June 30, 2003
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percent	Level Percent
Remaining Amortization Period	15 years	14 years
Asset Valuation Method	3-year Smoothed Market	3-year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.9%	7.8%
Projected Salary Increases	4.0% - 9.5%	5.8% - 10.8%
Includes Inflation at	4.0%	4.8%
Cost-of-Living Adjustments	2.25%	2.25%

Factors that significantly affect the identification of trends in the amounts reported include, for example, changes in benefit provisions, the size or composition of the population covered by the plans, or the actuarial methods and assumptions used.

Component Units

The GDRRA is authorized to charge user fees for services provided to residents in the event either the tipping fees or supplemental tipping fees paid by the City and other revenues generated are not sufficient in each operating year to produce revenues equal to at least 100% of the maximum annual debt service requirement, lease obligations, and operating costs. Supplemental tipping fees are provided from certain taxes collected by the State of Michigan which are payable to the City (Distributable Aid). The City's obligation to pay tipping fees and supplemental tipping fees is a full faith and credit limited tax general and unconditional obligation whether or not the facility is operating.

For the year ended June 30, 2004, tipping fees and supplemental tipping fees paid by the City to the GDRRA are as follows:

Tipping Fees	\$ 54,909,343
Supplemental Tipping Fees	<u>16,237,538</u>
Total	<u><u>\$ 71,146,881</u></u>

Special Item:

On July 31, 2002 the City revised its Development Agreements with the Casinos operating within the city. As a result, the casinos agreed to pay the City an additional \$132 million in exchange for the right to defer the construction of 400 hotel rooms each for five years. All of this revenue was recognized in the entity-wide Statement of Activities, and \$93,750,000 was recognized in the fund financial statements in fiscal year ending 2003. The remaining \$38,250,000 is recognized as revenue in the fund financial statements in fiscal year ending 2004.

NOTE IV. SUBSEQUENT EVENTS

On August 27, 2004 the City of Detroit issued \$111,680,000 Unlimited Tax General Obligation Bonds and General Obligation Refunding Bonds. The bonds also refunded \$69.1 million of previously issued debt, resulting in present value savings of \$423,241 or 0.62% of the refunded par amount. The bonds begin to mature April 1, 2009 and will be fully matured in the year 2024.

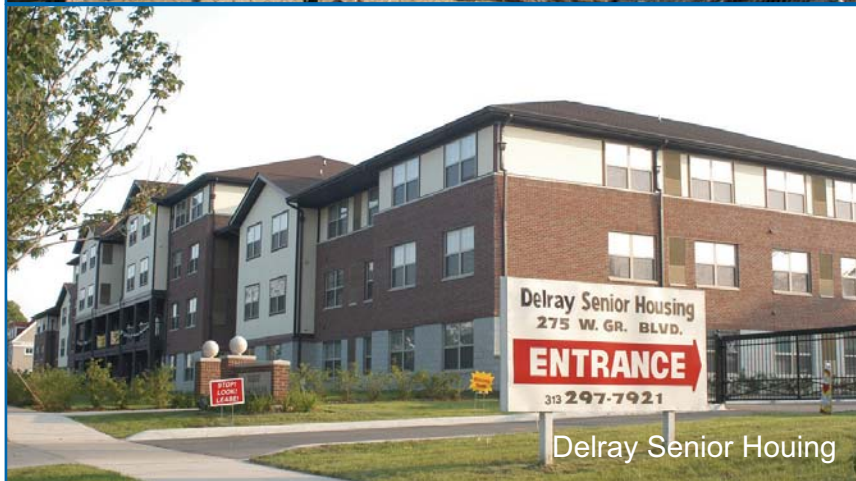
On August 27, 2004 the City of Detroit issued \$62,285,000 General Obligation Self-Insurance Bonds (Limited Tax) (Federally Taxable). The bonds begin to mature April 1, 2009 and will be fully matured in the year 2014.

On January 5, 2005 the City of Detroit issued \$81,050,000 General Obligation Refunding Bonds. The bonds refunded a portion of previously issued debt resulting in present value savings of \$2,954,135 or 3.65% of the refunded par amount. The Bonds begin to mature April 1, 2006 and will fully mature in the year 2011.

In March 2005, Standard and Poor's revised to the City of Detroit bond ratings, from A- to BBB+ on both the City's Limited and Unlimited Tax General Obligation Bonds, while affirming the City's outlook as stable.



Bridgeview Town Homes



Delray Senior Housing



Grace Memorial Baptist Church Senior Apartments

Senior Housing Growth – Detroit has homes especially designed and built for retirees and other seniors. These developments provide two- and three-bedroom, low-income homes. Bridgeview Town Homes, developed by Church of the Messiah Housing Corp., is on Field and Grand Boulevard on the east side. Delray Senior Housing, developed by Delray Action Council on Grand Boulevard in southwest Detroit, features one- and two-bedroom apartments and provides affordable housing for seniors on fixed incomes. Grace Memorial Baptist Church Senior Apartments also provide homes for senior residents. They are under construction near Palmer Park at Woodward and Carmel.

HOUSING

**REQUIRED
SUPPLEMENTARY
INFORMATION**

REQUIRED SUPPLEMENTAL INFORMATION
HISTORIC PENSION DATA - UNAUDITED

Schedule of Employer Contributions (In millions):

<u>General Retirement System</u>			<u>Policemen and Firemen Retirement System</u>		
<u>Year Ended June 30</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>	<u>Year Ended June 30</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
1999	\$55.7	100	1999	\$15.7	100
2000	66.7	100	2000	20.0	100
2001	68.1	100	2001	14.4	100
2002	67.8	100	2002	8.4	100
2003	72.9	100	2003	66.8	100
2004	95.9	92	2004	69.5	-

Schedule of Funding Progress (In millions):

General Retirement System:

<u>Actuarial Valuation Date June 30</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Payroll</u>
1999 (a) (b)	\$2,756.6	2,900.4	95.0	143.8	383.4	37.5
2000 (a) (b)	2,902.4	3,077.0	94.3	174.6	417.2	41.8
2001 (a) (b)	2,912.1	3,179.6	91.6	267.5	439.6	60.8
2002	2,761.2	3,276.6	84.3	515.4	440.7	117.0
2003	2,537.7	3,270.6	77.6	733.0	448.6	163.4

Policemen and Firemen Retirement System:

<u>Actuarial Valuation Date June 30</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Payroll</u>
1999 (a) (b)	\$3,668.4	3,274.1	112.0	(394.3)	216.0	-
2000 (a) (b)	3,964.2	3,342.1	118.6	(622.1)	237.7	-
2001 (a) (b)	3,900.0	3,463.2	112.6	(436.8)	253.3	-
2002 (a)	3,635.1	3,523.4	103.2	(111.7)	248.7	-
2003	3,205.5	3,721.6	86.1	516.1	248.7	207.5

a) After changes in actuarial assumptions.

b) Plan amended.



Piwok Playground Improvements – New playground equipment and playing fields were part of the improvements at Piwok. The improvements helped fulfill Mayor Kwame Kilpatrick’s promise to update and modernize 10 parks and playlots.

PIWOK PARK



Honorable Kay Everett

Member Detroit City Council

1941-2004

Detroit Council Member Kay Everett passionately loved Detroit and dedicated her life to working for the city and its residents.

A native Detroiter, Councilmember Everett graduated from Cass Technical High School and Wayne State University. She taught for ten years in the Detroit Public Schools system before winning a seat on the Detroit school board in 1986.

After her re-election to the board in 1990, she served as vice president. During her tenure on the board, she led the way to reform and gained the reputation as an independent thinker. Her activism sparked the community's desire for change, which led to the election of other reformers on the board.

Councilmember Everett was elected to the Detroit City Council as the result of a special election held on June 4, 1991. For the past 13 years, she has been a strong advocate on behalf of the interests of the residents of Detroit. She looked into matters in great depth, encouraging the council to thoroughly examine issues before making decisions.

Two issues of particular concern for Councilmember Everett were emergency services and a clean city. She was passionate in her leadership of the Keep Detroit Beautiful Task Force, which coordinated citywide programs to stop littering, promoted outdoor beautification, and educated the public about the benefits of recycling. She also headed the 911 Task Force, which was created to increase the response time for emergency services calls by educating the public on how to properly use the 911 system.

Councilmember Everett's community activism extended to an active role in numerous organizations, including Alpha Kappa Alpha Sorority Inc., Links Great Lakes, Inc., and the Association of Black School Educators. In addition, she had a lifetime membership in the NAACP, and was a member of the Detroit Economic Club, the Detroit Yacht Club, the Coleman A. Young Memorial Commission, the Detroit Symphony Orchestra Committee, and the Women in Municipal Government Advisory Council. She once served as a board member of the University District Council and as a member of Homes for Black Children. A longtime member of the Greater Emmanuel Institutional Church of God in Christ, Councilmember Everett was the devoted mother of three children.

The City of Detroit celebrates the life of Detroit Councilmember Kay Everett. Her vivaciousness, dedication, and flair will live on in the hearts of those that knew her, respected her, and benefited from her many years of service to our community.

Our Special Thanks To:

City of Detroit, Michigan

www.ci.detroit.mi.us

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**and all Finance Department staff for their commitment and
dedicated service in the preparation of this report**

City of Detroit - Agencies

**for their full cooperation in providing us all the necessary
information needed to compile this report**

**Detroit Resource Management System
and staff**

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BOWNE of Detroit

for printing this report

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